

Corporate Sustainability Report 2011



Logistics at the Core



Marketplace | Environment | Workplace | Community

Logistics at the Core

Logistics is more than our core business. It's also the core of our sustainability as a company, and the engine that drives our contributions to a more sustainable society.

Everything at UPS starts with logistics: understanding it, mastering it, and applying it. Our company is a global logistics network that helps millions of customers increase the efficiency of their value chains, every day. Expertise in logistics enables us to provide world-class supply chain services beyond package delivery and to offer innovative products and services to consumers and corporations alike. These in turn generate **economic benefits** for UPS, our employees and shareowners, the global economy, and society.

Logistics leadership is also at the core of our efforts to bring **environmental stewardship** to transportation. Even as we're helping millions of customers reduce their environmental impact, we're applying logistics principles and practices to optimize our own. That's how we minimize the miles we fly and drive to accomplish our mission, and also make the most out of the fuel we consume with every mile. We've mastered the measurement of our carbon impact in detail, on a global basis, so that we can report to our customers and society transparently.

Our dedication to logistics excellence makes UPS a front-line partner for organizations seeking to build a more **sustainable society**. We collaborate with world-class environmental and sustainability organizations on vital issues, offering our management, logistics, transportation, and engineering expertise to our customers and society. We support and partner with the world's leading humanitarian relief agencies wherever their mission takes them. Our employees show the same dedication, donating more than US\$45 million and more than 1.6 million volunteer hours in 2011, often offering their business expertise to help non-profit organizations become more effective.



1.



2.



3.



4.



Image Captions

1. UPS Boeing 747, Seattle, Washington, U.S.
2. Liquid Natural Gas (LNG) truck
3. Hybrid electric vehicle
4. Flight Dispatcher, Global Operations Center, Louisville, Kentucky, U.S.
5. UPS Volunteers, Pingguan, China



Our global logistics network is a nimble giant: able to handle all kinds of services without duplicating time or energy.



We share our logistics assets and expertise to help other organizations—both commercial and non-profit—become more efficient and effective.



We know more about our climate impact than most companies, and we're using our knowledge to help our customers manage their emissions, too.



We use our vast network and IT capabilities to optimize transport that satisfies our customers, whether it's on the ground, in the air, over water, or in any combination.



We equip, load, and route every vehicle and airplane we own for maximum efficiency: minimizing the miles we travel while maximizing the amount of shipping we accomplish.



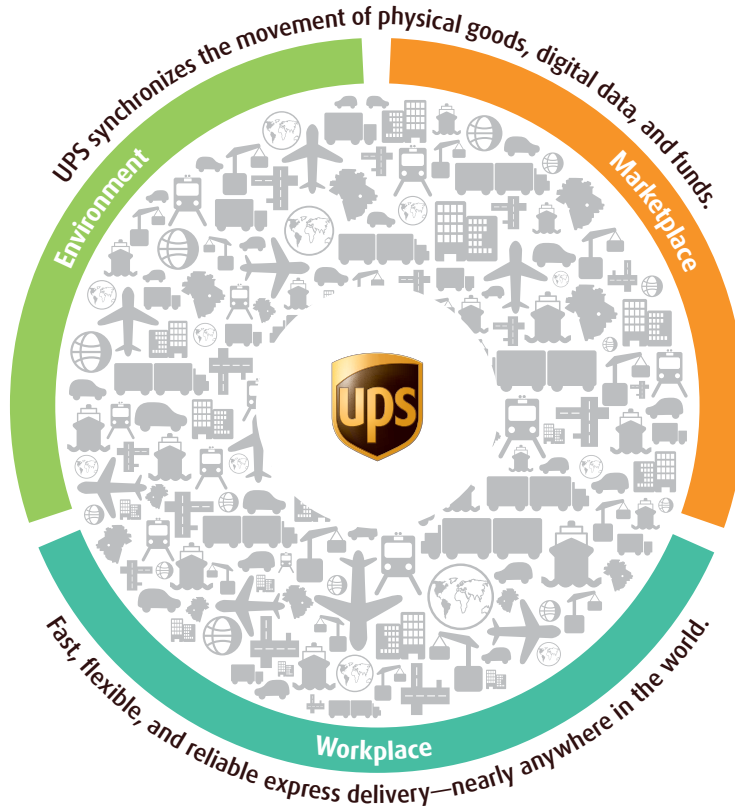
We operate a large, diverse, and expanding "green fleet" of alternative fuel and advanced technology vehicles, to reduce our emissions and help society test new automotive technologies.



We design and maintain our distribution facilities for maximum efficiency. We also operate multi-client facilities that help everyone minimize energy, water use, and waste.



We systematically teach, train, and promote our people so they, and UPS, can reach our full potential.



Logistics at the Core

One of the world's most efficient ground fleets

One of the world's quietest and most efficient airlines

One of the sector's most technologically diverse vehicle fleets

Advanced use of telematics and other technologies to drive mileage reduction, fuel efficiency, safety, and emissions performance

World leadership in carbon measurement, management, and disclosure

A growing portfolio of customer sustainability solutions

Ambitious goals for fuel and emissions efficiency

Collaborations with world-leading NGOs and regulatory agencies

Global awards and recognition for corporate responsibility

Exemplary record of delivering value for stakeholders, including customers, investors, employees, and non-profit organizations

Executive Statement

Scott Davis, Chairman and CEO

Letter from the Chairman



This Sustainability Report recaps our 2011 actions and performance. We also have reviewed our goals and Key Performance Indicators (KPIs) that were set more than five years ago. I'm pleased to share our achievements and challenges in this report.

As part of this review process, we also looked to see what has happened in the world to influence our thinking and plans for the future. The year 2011 was particularly significant, marked by political, social, environmental and economic upheaval around the world. These events spurred debate about inequality, social responsibility, climate change, and the role of business in society.

In turbulent times, leaders take stock of their progress and adjust their plans accordingly. Our company is no different.

As a result of both external events and a review of our five-year progress, we recommitted to the principle that UPS is part of an interconnected global community. We understand that our success is dependent on economic stability, global trade, civic engagement and a society that welcomes opportunity. In return, we must act responsibly—as a business, an employer and a corporate citizen. We share our resources to help others thrive because we are linked to the prosperity of others.

This past year, we also renewed and sought out more collaboration with industry leaders, policy makers and NGOs. Together, we are addressing issues like disaster relief, water, emissions and energy conservation. Through their feedback, we recognize that our logistics expertise is valued and much needed. That's why our report theme is "Logistics at the Core."

One of the guiding principles to UPS's sustainability strategy is our commitment to transparency. We are disclosing more information than ever and, for the first time, the report presents a materiality matrix. This process spotlights which issues are at the nexus of UPS's own business issues with those of external stakeholders. This will help guide us in the future.

We are disclosing more information than ever and, for the first time, our Report presents a materiality matrix.

The complexity of those issues mapped on the matrix also highlighted the need for one of our key achievements in 2011: the initial appointment of a Chief Sustainability Officer and a team of cross-functional senior managers who will advance our sustainability program. This team will be guiding our external and internal efforts for the long-term and will marshal our 2012 programs, Key Performance Indicators and long-term corporate goals. These new goals and KPIs are highlighted in this report. These leaders also will be inspiring our employees to engage in sustainability activities both at home and at work. Just last year, we gained more than 100,000 employee pledges for environmental action and we are aiming for even more involvement in the coming years.

In conclusion, we have reported our five-year progress, successes and challenges. Now, we are focused ahead. We understand that our role as a leading company with logistics expertise and a global infrastructure provides unique opportunities to assist in addressing global problems. We continue to advance our transparency and integration of sustainability into our operations. And we are well-prepared to meet the increasing demands of our external stakeholders by providing extensive data about our performance and ambitions.

D. Scott Davis

Recognition for Responsibility



Fortune Magazine's "Most Admired Companies"

For its annual list of the 50 most admired companies in the world, FORTUNE asks businesspeople to vote for the companies they admire most, from any industry. UPS has been on this list for more than 20 years. In 2011, we ranked 30th.

CENTER FOR
CORPORATE CITIZENSHIP

BOSTON COLLEGE
CARROLL SCHOOL
OF MANAGEMENT



Boston College Center for Corporate Citizenship

The Boston College Center for Corporate Citizenship, in cooperation with the Reputation Institute, developed the Corporate Social Responsibility Index (CSR Index) to identify companies that have earned the strongest reputations for corporate responsibility with the U.S. public. UPS was third among the top 50 companies in the 2011 ranking.



Dow Jones Sustainability Indexes: North American Index

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



Ethisphere Institute: World's Most Ethical Companies

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

CARBON DISCLOSURE PROJECT

Carbon Disclosure Project: Carbon Disclosure Leadership Index

UPS earned a near-perfect score from the Carbon Disclosure Project, a climate advocacy group, in 2011, earning a place on the prestigious Carbon Disclosure Leadership Index (CDLI). Our score of 99 tied for the highest score in the world with three others on the Global 500 CDLI and was unmatched within the S&P 500 CDLI.



Climate Counts

For the third year in a row, UPS earned the top score in the Consumer Shipping category on the annual "Climate Counts" scorecard, which ranks the world's largest companies based on 22 criteria for measuring and reducing climate impact, corporate support of public policy initiatives, and openness and transparency in reporting. We also shared the 11th highest score across all categories.

Logistics in Action



In 2011, we delivered an average of 15.8 million pieces per day worldwide, or a total of 4 billion packages and envelopes. Our one integrated global logistics network enables us to do all this with a smaller climate impact than our customers could on their own.



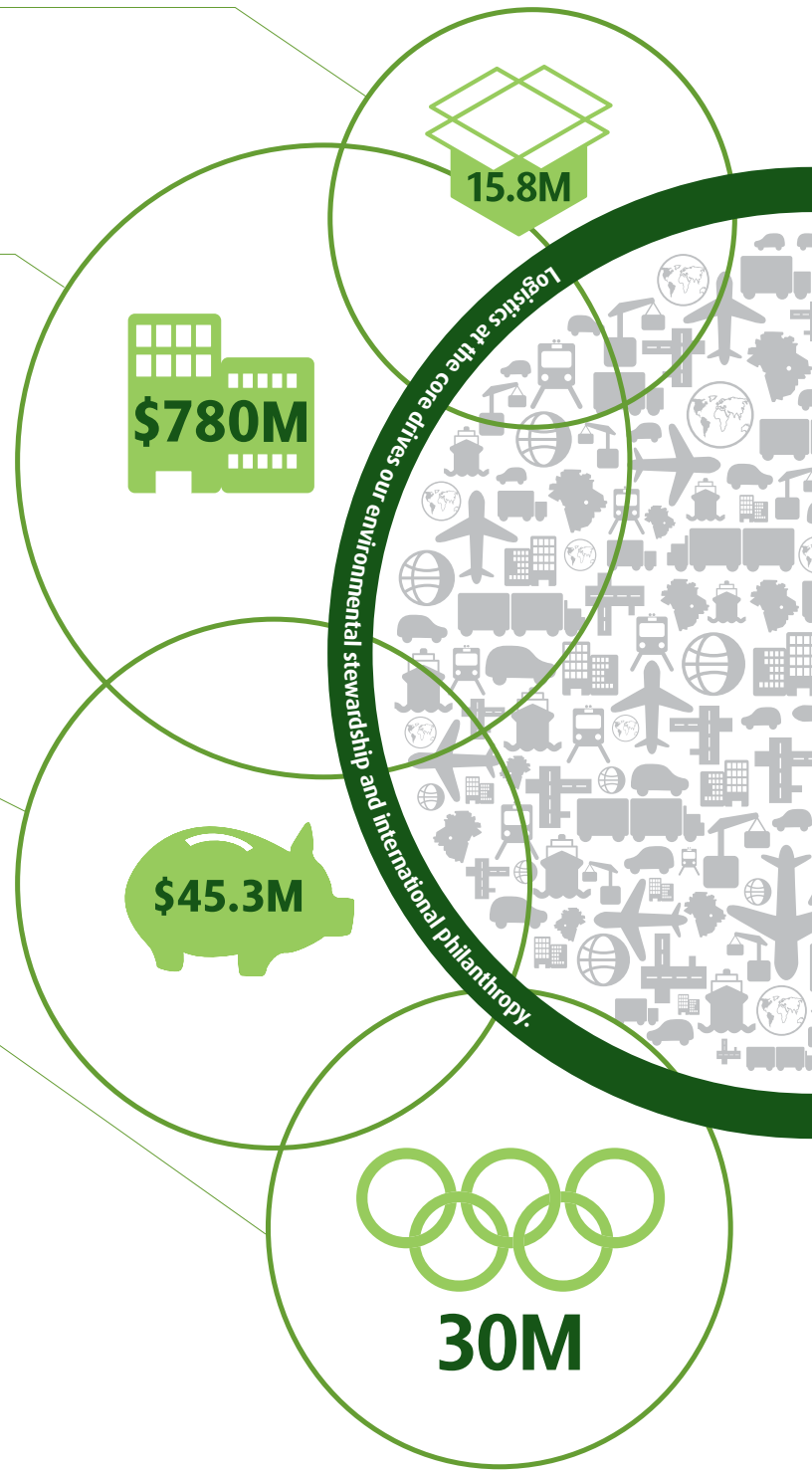
UPS spent approximately US\$780 million in procurement with small and diverse businesses in 2011. Our 61,175 retail points of presence around the world make it easier for small and diverse businesses to expand their opportunities in a globalized economy. Entrepreneurs can own and operate their own business with a franchise in The UPS Store®.

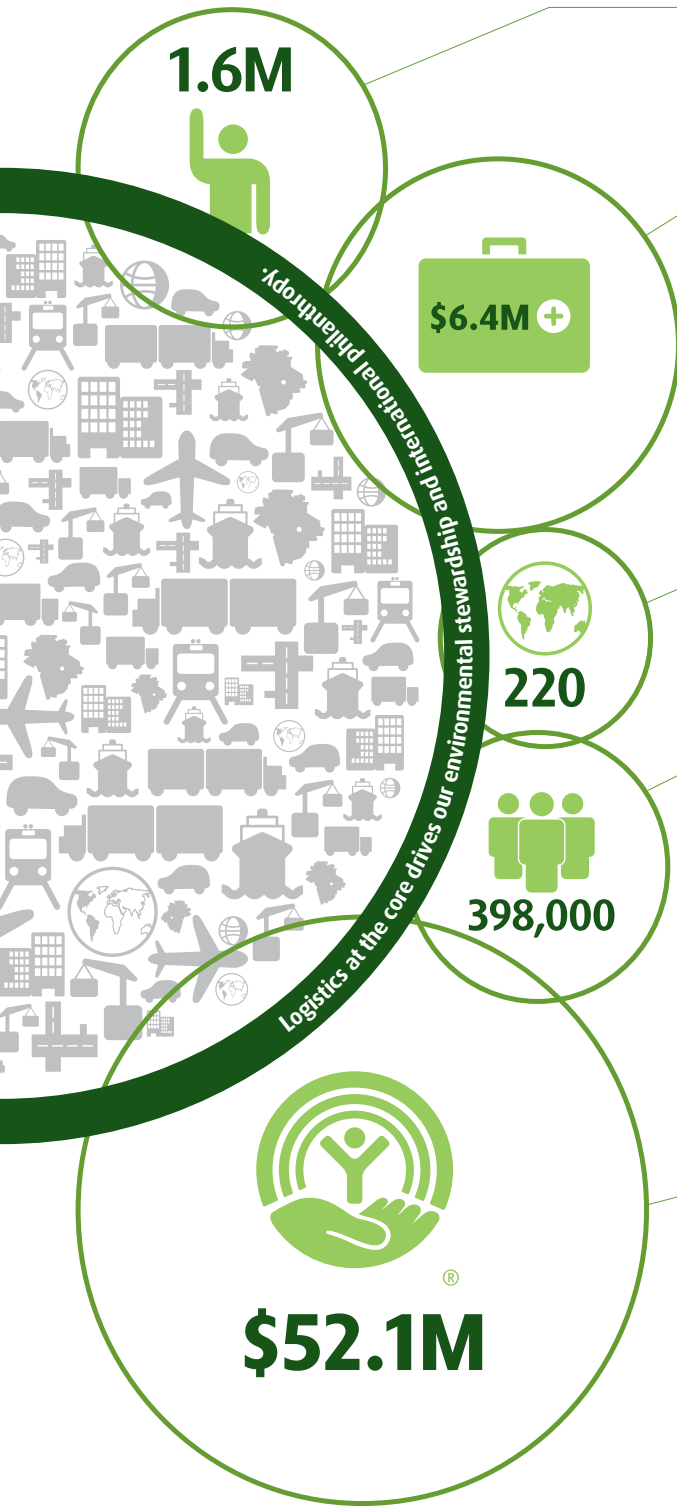


The UPS Foundation donated US\$45.3 million in charitable grants to global, national, and community-based organizations around the world.



As the Official Logistics and Express Delivery Supporter of the London 2012 Olympic and Paralympic Games, we are prepared to handle 30 million items. We aim to help to make the London Games the greenest ever—and we are measuring and mitigating the carbon impact of our activities.





UPS delivered urgent humanitarian relief including funds, in-kind donations, and logistics expertise valued at US\$6.4 million to aid relief efforts in 34 countries.



UPS employees donated 1.6 million volunteer hours in communities around the world. Terry Brown was UPS's Volunteer of The Year, winning the 2011 Jim Casey Community Service Award.




We serve customers in more than 220 countries and territories—and customers in 36 of them can use our carbon neutral service to mitigate the carbon impact of their shipments.



UPS employed more than 398,000 workers around the world and paid more than US\$3.1 billion in taxes in 2011. 117,399 of our employees are also shareholders, benefiting from dividend income and equity appreciation.



Donations to United Way in 2011 reached US\$52.1 million, including a 15 percent match of employee donations by The UPS Foundation.

	<h2>Greenhouse Gas Reduction Strategy</h2>
<p>At UPS, we simultaneously pursue multiple strategies for carbon avoidance in a way that makes each one stronger and more effective than it would be on its own.</p>	

UPS's Optimized Network and Fleet

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

Facility Efficiency

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

Supply Chain Engagement

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

Intermodal Shifting

- UPS has focused for decades on using the most fuel-efficient transport mode, or combination of modes, to meet service requirements—and on being able to fluidly shift modes in real time to reduce energy intensity whenever possible.

Integration of Technology and Human Factors

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

Sustainable Products and Services

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



Measure Comprehensively

Train

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



Truck

Owning our fleet enables us to optimize fuel efficiency and miles driven.

IT Applications

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



Optimized Logistics Network

Making our logistics network more efficient is our primary strategy for slowing the growth in our emissions relative to revenue, which also helps us better serve customers and reduce operating costs.

Aircraft

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

Skilled Workforce

Employees ensure that environmental impacts are well-managed.

Ship

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

Achievements

Leadership

- First electric cars in 1935
- Rail network established in 1966
- Began the re-engine of 727-100 aircraft in 1985
- Replaced 727-200s starting in 1987
- Recycled packaging in 1998
- Hybrid vehicles in service in 1998
- Sustainability reporting since 2003
- CO₂e reporting - Scopes 1,2, & 3 in 2009
- Alternative fuel/advanced technology fleet reached 200 million mile milestone in 2010
- Third-party verified GHG inventory in 2010
- Received Climate Leadership Supply Chain Award in 2012

Execution

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

Vision

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

Third-party credentials

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

Report
Transparently



Collaborations

UPS collaborates with leading organizations to address sustainability issues around the world. We focus on resource risks, fuel and emissions efficiency, transparent sustainability reporting, urgent humanitarian logistics, and carbon mitigation. We are early adopters of new tools, ideas, and technologies, which helps governments, regulators, and NGOs test and develop new solutions for global sustainability.

Resources



Future Fuels



BSR®

UPS is a Member Company, working with BSR on a task force called "The Future of Fuels" to address responsible fuel sourcing.



World Business Council for Sustainable Development

UPS is a member of the World Business Council for Sustainable Development. One project is the development of tools and strategies related to global water issues.

Risk



Policy & Innovation

National Clean Fleets Partnership

UPS is one of five founding members of the Partnership, which is organized under the U.S. Department of Energy with a goal of reducing emissions associated with commercial vehicle fleets.



UPS participates actively in a number of WEF projects, most notably the Sustainable Transport Ecosystem project, and WEF's annual gathering in Davos, Switzerland.



UPS is helping the U.S. Federal Aviation Administration test, develop, and implement its NextGen roadmap for making air traffic more fuel-efficient and airports safer.

Also described in this Report: The Nature Conservancy | Earth Day Network |

UPS Tackles Sustainability Challenges with Global Leaders

Clean Fleets

Sustainable Transportation Ecosystem Project

Safety Energy Emissions Noise

Reporting

WORLD RESOURCES INSTITUTE

UPS is a member of the Corporate Consultative Group at World Resources Institute, working on the advancement and implementation of Greenhouse Gas Protocols for supply chain reporting.

Reporting

UPS is a registered Organizational Stakeholder of the Global Reporting Initiative (GRI) and supports the mission of the GRI to develop globally accepted sustainability reporting guidelines through a global, multi-stakeholder process.

Scope 3 emissions

Contributions to Society

The UPS Foundation focuses our philanthropy in four areas that align with our business strategies, our core logistics capabilities, and the concerns of our employees around the world.



Diversity

UPS is one of the most diverse companies in the world because of our longstanding policies of hiring great people regardless of race, gender, gender identity, or sexual preference, and then promoting them from within. Yet we recognize that being a role model is not enough. So we also support dozens of organizations that promote opportunities and advancement for diverse populations. In 2011, The UPS Foundation funded diversity-related projects totaling US\$7 million to 173 organizations, including 30 projects of US\$100,000 or more. Our largest grants go to organizations we have supported and worked with over long periods, such as the National Urban League and National Council of La Raza.



Community Safety

Community Safety is a strategic focus area for UPS because our people live and work in communities throughout the world. In addition to making small grants to grass-roots community safety organizations around the world, The UPS Foundation provides funds for highly targeted international initiatives. The largest of these is support for urgent humanitarian relief. We provide leading global relief agencies with a combination of long-term financial support and in-kind donations of logistics services in the event of disasters. Our partner agencies include Aidmatrix Foundation, the American Red Cross, CARE, UNICEF, and the U.N. World Food Programme.



Environmental Sustainability

Our environmental strategy is to support organizations aligned with our own environmental goals, expertise, and concerns. For example, we launched a major international initiative in 2011 to support tree planting and reforestation projects ([see sidebar](#)). This initiative aligns with our operational focus on minimizing our own greenhouse gas emissions and helping our customers mitigate their greenhouse gas emissions as well. We also support the World Resources Institute and the World Business Council for Sustainable Development, which develop sustainability tools and standards that we use in our sustainability reporting. We made nearly US\$3 million in grants for environmental initiatives in 2011, including support for associations that promote youth engagement in the environmental sciences.



Volunteerism

Our people have made volunteerism a core competency for UPS through sheer dedication. In the past three years, they have donated more than 4 million hours to a broad range of organizations, from grass-roots non-profits to our global philanthropic partners. To help our people sustain and even expand their efforts on behalf of society, UPS provides information that helps people find organizations to assist and projects to work on. It's also a standard practice at UPS for our people to volunteer for the organizations that are funded by The UPS Foundation—at every level from community-based agencies to global NGOs.

Humanitarian Relief in Africa

UPS is a long-time global partner with the world's foremost humanitarian relief agencies, including the United Nations' World Food Programme (WFP) and United Nations Children's Fund (UNICEF). In the summer of 2011, we responded along with these agencies after the U.N. declared famine conditions in Kenya, Ethiopia, Somalia, and Djibouti. More than 13 million people were at risk of extreme food shortages, malnutrition, and death.

To help WFP achieve its relief mission, UPS Airlines flew 50 metric tonnes of food from Europe to Africa. The UPS Foundation increased its philanthropic funding of UNICEF with a supplemental donation of US\$100,000 and helped organize in-kind donation of transportation logistics for food aid. UPS Airlines ultimately flew another 60 metric tonnes of food that needed to get from sites in Europe to a distribution station in Nairobi, Kenya. We also contributed warehousing, inventory management, and transportation knowledge to our key humanitarian partners, and UPS personnel led a Logistics Emergency Team for the WFP. These examples show that even in corporate philanthropy, logistics is at the core of our contribution.



Image Captions

1. UPS Driver, New York City, New York, U.S. 2. World Food Programme shipment, Kenya, Africa 3. Tree planting in Gault Nature Reserve, Mont-Saint-Hilaire, Quebec, Canada 4. UPS volunteers with the American Red Cross 5. World Food Programme shipment, Kenya, Africa 6. Food supplement delivery in Somalia, photo credit: WFP, David Orr 7. Food aid recipients in Somalia, photo credit: WFP, Purnima Kashyap 8. Garcia River Project, Mendocino County, California, U.S.



UPS Launches International Forestry Initiative to Offset CO₂

The earth relies on established forests and young re-growth forests to store billions of metric tonnes of carbon dioxide and keep our atmosphere in balance. That's in addition to many other benefits trees bring to the earth's ecology. In 2011, The UPS Foundation pledged nearly US\$1.3 million to help plant, protect, and preserve trees in Belgium, Brazil, Canada, China, and the U.S. We are providing both financial support and our own hands-on efforts as employee volunteers. To ensure that our resources get results, the Foundation directed the grants to organizations with proven expertise in forestry initiatives, including The Nature Conservancy, Earth Day Network, National Arbor Day Foundation, Earthwatch, and the National Park Foundation. For more information, see [page 101](#). In addition, UPS's carbon neutral service now includes a carbon offset project based in California's Garcia River watershed, which provides vitally important habitat for endangered Coho salmon. For a stakeholder perspective on this project, see [page 91](#).



UPS Sustainability Report 2011

About this Report

This Report covers the calendar year 2011, which corresponds to our fiscal year. UPS has issued a Corporate Sustainability Report every year since 2003. For all past reports, and for extensive additional material not included in this Report, please visit ups.com/sustainability. Our formal sustainability reporting, which begins on page 15, is prepared in accordance with the G3.1 guidelines of the Global Reporting Initiative (GRI), an independent institution that provides a standard framework for sustainability reporting across companies and industries. We provide a G3.1 index to this Report's contents on page 157. The entire Report was prepared at the A+ level and independently assured by Deloitte & Touche LLP in accordance with attestation standards established by the American Institute of Certified Public Accountants, which includes AT Section 101, *Attest Engagements*. GRI checked the Report and confirmed its adherence to the guidelines for A+ level reporting.

New in this Report

As in past years, our Corporate Sustainability Report provides a balance of updates on long-term commitments and reporting on new topics, initiatives, and results. We continue to strive for industry-leading comparability and transparency in our data reporting, and we continue to employ the same high-level report structure so that our regular readers can quickly find topics of interest. Notable changes this year, added in response to stakeholder feedback, include:

- Expanding our disclosure in many areas, particularly including materiality issues for UPS and governance issues for The UPS Foundation.
- Increasing the number of commentaries provided by UPS managers and outside stakeholders.
- Creating infographics that explain important concepts visually as well as verbally.
- Adding context to charts of Key Performance Indicators (KPIs), to make them more transparent.
- Moving our disclosures regarding political spending and public policy advocacy to the "Profile" chapter that describes UPS as a responsible company.
- Moving our disclosures regarding our legal and regulatory compliance system to the "Marketplace" chapter that describes our responsible behavior in the global economy.

We intended for all of these changes to make information more accessible, so that you can more easily find and understand the topics of interest to you. We encourage you to contact us with comments and requests.

Labeling System

Primary information



Secondary information

Corresponding icon or company logo

This Report employs a labeling system to help readers identify information of interest to them. In most cases the labeling system includes the basic set of elements shown above. The labeling system also includes a version for sidebars (highlighted information), which is shown below.



Contact Us

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

UPS
 Attention: Lynnette McIntire
 55 Glenlake Parkway N.E.
 Atlanta, Georgia 30328

pr@ups.com

GRI Application Level Check

The Global Reporting Initiative (GRI) has pioneered the most widely used sustainability reporting framework, with guidelines setting out the principles and indicators that organizations can use to measure their economic, environmental and social performance. GRI's framework includes a grading system (A, B or C) for sustainability reports to indicate how completely the guidelines were applied. Reporters can self-assign their grade or receive a grade from GRI ("Statement—GRI Application Level Check"). In either case, a plus sign (+) with the level indicates that the reporting organization has submitted its Report for third-party review of the application level. UPS submits its Corporate Sustainability Reports to GRI for the Application Level Check and to Deloitte & Touche LLP for third-party assurance. GRI's Statement concerning this Report is on [page 20](#).

Third-Party Assurance and Verification

UPS secures third-party assurance for the contents of the Corporate Sustainability Report, specifically including both assurance and verification of greenhouse gas disclosures. The independent organization providing the assurance is Deloitte & Touche LLP. The independent organization providing verification of our greenhouse gas disclosures is Société Générale de Surveillance (SGS). We engaged Deloitte & Touche LLP to conduct an examination, in accordance with attestation standards established by the American Institute of Certified Public Accountants, which includes AT Section 101, Attest Engagements, to provide a reasonable level of assurance on our Statement of Greenhouse Gas emissions for the year ended December 31, 2010 and 2011. We also engaged Deloitte & Touche LLP to conduct a review, in accordance with attestation standards established by the American Institute of Certified Public Accountants, which includes AT Section 101, Attest Engagements, to provide a moderate level of assurance on our 2011 Corporate Sustainability Report. Deloitte & Touche LLP's assurance statements are on [pages 19](#) and [151](#), respectively. The verification statement by SGS is on [page 152](#).

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San Francisco, California
United States

Profile

This chapter provides a strategic view of how UPS applies global logistics expertise to advance its sustainability in the marketplace, environment, workplace, and society.



Profile

UPS's business strategy and corporate responsibility strategy are substantially the same: to increase the economic vitality and environmental sustainability of the global economy by aggregating the shipping activity of millions of businesses and individuals worldwide. This aggregation has powerful benefits for the global economy, the environment, and society.

The core of our strategy is our world-class logistics capability. We continually develop, extend, and enhance our core logistics capability through targeted investment in people, mobile assets, stationary assets, and technology. We believe these investments make UPS a better competitor and better corporate citizen, because they enable us to collaborate with world-leading sustainability organizations and to support our communities at local, national, and international levels.

Recognition



Fortune Magazine
World's Most Admired Companies
(#1 in Mail, Package, and Freight Delivery Industry)



Ethisphere Institute
World's Most Ethical Companies



Dow Jones Sustainability Index
North America Index



Boston College Center for Corporate Citizenship
Corporate Social Responsibility Index (#3)



Corporate Responsibility magazine
100 Best Corporate Citizens (#52)



Carbon Disclosure Project
Carbon Disclosure Leadership Index
(top score)



Climate Counts
#1 in Consumer Shipping
#11 Across all Industries

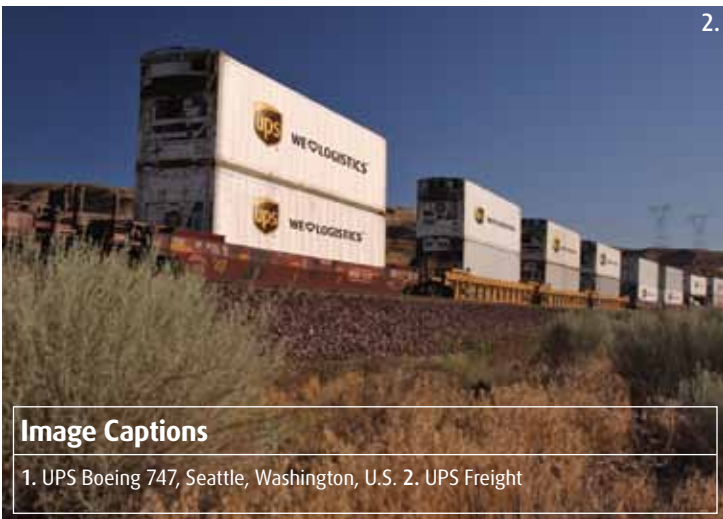
2011 Operations at a Glance

all data for 2011

Headquarters	United States—Atlanta, Georgia
Employees	398,242
Ground fleet	101,121 vehicles
Therein: alternative fuel fleet	2,593 vehicles
Customers	8.8 million (daily)
Average Daily Volume	15.8 million
Revenue	US\$53.1 billion
Net Income	US\$3.8 billion



1.



2.

Image Captions

1. UPS Boeing 747, Seattle, Washington, U.S. 2. UPS Freight



UPS Facts

Founded	1907
Employees	398,242 (320,536 U.S.; 77,706 International)
Daily Online Tracking Requests	32.1 million (Average)

UPS PACKAGE OPERATIONS

Worldwide Operating Facilities	1,860
Customers	8.8 million daily
Retail Access	58,702
Delivery Fleet	94,379 package cars, vans, tractors, motorcycles, including 2,593 alternative-fuel vehicles
UPS Jet Aircraft	223 in service (plus 300 charter)
2011 Packages Delivered	4 billion

UPS SUPPLY CHAIN & FREIGHT

2011 Revenue	US\$9.1 billion
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UPS Supply Chain

Key Services	Logistics and distribution; transportation and freight (air, sea, ground, rail); freight forwarding to 195 countries; international trade management and customs brokerage.
Facilities	776 facilities in more than 120 countries

UPS Freight

Key Services	A leading U.S. provider of less-than-truckload and truckload services coast-to-coast
Delivery Fleet	6,175 tractors; 20,551 trailers
Facilities	196 service centers

as of 12/31/2011

Independent Accountants' Report

Deloitte & Touche LLP

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

We have reviewed the accompanying Corporate Sustainability Report of United Parcel Service, Inc. (the "Company") for the year ended December 31, 2011. The Company's management is responsible for the Corporate Sustainability Report.

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

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

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

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

June 26, 2012

Deloitte & Touche LLP



Statement GRI Application Level Check

GRI hereby states that **United Parcel Service, Inc.** has presented its report "UPS Corporate Sustainability Report 2011 - Logistics at the Core" to GRI's Report Services which have concluded that the report fulfills the requirement of Application Level A+.

GRI Application Levels communicate the extent to which the content of the G3.1 Guidelines has been used in the submitted sustainability reporting. The Check confirms that the required set and number of disclosures for that Application Level have been addressed in the reporting and that the GRI Content Index demonstrates a valid representation of the required disclosures, as described in the GRI G3.1 Guidelines.

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

Amsterdam, 19 June 2012

A handwritten signature in blue ink, appearing to read "Nelmara Arbex", is written over a large, faint watermark of the GRI logo in the background.

Nelmara Arbex
Deputy Chief Executive
Global Reporting Initiative



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

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

Disclaimer: Where the relevant sustainability reporting includes external links, including to audio visual material, this statement only concerns material submitted to GRI at the time of the Check on 7 June 2012. GRI explicitly excludes the statement being applied to any later changes to such material.

Executive Statement**Scott Wicker, Chief Sustainability Officer**

Letter from the Chief Sustainability Officer



Ten years ago, UPS began to construct its first Corporate Sustainability Report. Back then, the effort was seminal, championed by a small group of individuals who saw the connection between UPS's behind-the-scenes efforts at serving the community and operating well with the emerging stakeholder cry for more transparency about business's impact on society.

Today, the Report and UPS's sustainability program is a mature, robust part of the company's strategy. Sustainability is well-integrated into corporate planning, engineering, operations and employee programs. It is part of our core.

This maturity is both a blessing and a curse. Much of the "low-hanging fruit" is now achieved. Goals and KPIs are now more difficult to achieve, requiring more integration across functions and with more external partners. The marketplace also is more demanding than a decade ago. Investors, assessors, and NGOs are requiring more detailed data to judge our performance. International reporting standards are driving the organization to disclose more information than ever before. And industry groups are emerging to build consistent reporting frameworks not just in the U.S. but in Asia and Europe as well. These outsiders, a complex group of stakeholders with sometimes conflicting aims, are informing us about how they think we should adjust to the future.

As a result, UPS made the decision to appoint a Chief Sustainability Officer (CSO). As CSO, I appointed a new group of senior managers to drive action within their functions and to find synergies across business units and functions. My role is to ensure that we continue the momentum of achievements at UPS, embedding sustainability in internal functions, engaging employees more completely, finding opportunities for growth, and addressing the marketplace's expectations of UPS.

Certainly the environment will continue to be at the top of the agenda, acknowledging that

the transportation industry is a heavy user of fuel with its associated emissions. We intend to continue as industry leaders, managing and reducing our footprint.

Sustainability is well-integrated into corporate planning, engineering, operations and employee programs. It is part of our core.

Some of our 2011 achievements include:

- Additional disclosure about water usage and conservation.
- A net reduction of US domestic energy use in our facilities.
- A reduction in fuel gallons per package
- Broader telematics technology adoption that propelled greater fuel efficiency in ground operations.
- The highest CDP score among all companies in the U.S. and tied with three others with the top score in the world—showcasing our leadership in environmental transparency.
- The fourth year of improving carbon intensity—reducing our emissions at a higher rate than our volume growth.
- Gained more than 100,000 pledges from our employees to act more environmentally responsible at work and at home.
- Increased activism in public policy initiatives.

Looking ahead, we continue to find ways to collaborate with our customers so that our impact extends to their supply chains. We offer them a carbon neutral shipping option, Carbon Impact Analysis, Eco Responsible Packaging program, and supply chain management

projects that emphasize efficiencies and environmental concerns.

On the social side, our humanitarian logistics program helped thousands of people in 2011. We responded when disasters struck in Japan, the Horn of Africa, the Southern US, and Central and South America. Our ubiquitous logistics network of warehouses, transportation and technology all came into play to help those with such great immediate need. And we continue to be one of the nation's largest contributors to United Way, North America's largest charity. Charitable giving, including employee and retiree giving, topped US\$93.5 million slightly lower than previous years. Increasingly, UPS's contributions includes logistics knowledge and expertise, which supplement those dollars.

Looking to 2012, our materiality exercise reinforces our commitment to environmental performance, to responsible business practices and public policy engagement.

Of course, we are in a dynamic and evolving marketplace. We continue to be challenged by an unpredictable fuel market, global macroeconomic instability, regulatory uncertainty and skeptical consumers. And many of our customers still have not signed up for our environmental products and services. Despite its growing popularity, sustainability leadership still has not proven to be a dominant decision factor for most companies choosing suppliers.

Nevertheless, we believe that the promise of sustainability is a value worth investing in that produces both tangible and intangible benefits to UPS's bottom line and communities where we live and operate. This Report tells the story of how we view sustainability, how logistics is at its core and how responsible action is evergreen.

Sustainability and UPS

Positive Impacts on Sustainability

UPS stands out from most companies because addressing global sustainability challenges is directly related to our core business. We make an essential commercial activity—the shipping of goods and documents between people and organizations—more efficient in terms of resources consumed and greenhouse gases emitted. We accomplish this by aggregating the shipping activity of millions of businesses and individuals worldwide into a single, highly efficient logistics network. As such, the business success of UPS benefits the sustainability of the global economy and the environment:

- We make global value chains more resource-efficient.
- We support business formation for small and diverse businesses around the world by easing access to global markets.
- We pay taxes and regulatory fees around the world.
- We procure goods and services from a broad pool of suppliers, including a growing percentage of diverse suppliers.
- We reduce the carbon intensity of global shipping activity, enabling UPS to leverage its own carbon efficiency improvements into the supply chains of all its customers.
- We ensure stable employment for nearly 400,000 employees and strong protection for diversity, inclusion, and human rights in the workplace.
- We conduct extensive corporate philanthropy and volunteer work on an international scale.

All these positive effects of UPS on global sustainability result from our long-term strategy and the development of our corporate culture and history over more than a century. We provide disclosure in this Report regarding all of these effects, including in-depth coverage of our efforts to reduce our carbon intensity and pursue international corporate philanthropy.

Challenges and Opportunities Associated with Carbon Intensity

Our primary challenge associated with sustainability is consumption of fossil fuels to operate our ground and air fleets, which generate greenhouse gas emissions. UPS paid more than US\$4 billion for fuel in 2011 and generated 12 million metric tonnes of carbon dioxide equivalent (CO₂e) emissions (see table on [page 65](#)).

Consumption of such fuels and associated emissions are a central aspect of most transportation and logistics activities in the global economy. What separates companies is the extent to which they succeed in reducing fuel consumption on a normalized basis—that is, for a given level of economic activity, whether it is measured in business revenue, miles driven, or some other metric.

Accordingly, we devote substantial resources, time, and attention to reducing the miles we drive and fly on a normalized basis, increasing the fuel-efficiency of our ground and air fleet (which reduces emissions), and increasing our use of low-emission alternative-fuel vehicles (see the infographic on [page 69](#)). We achieve these results using management knowledge, training, technology, and a concerted effort to measure and analyze our performance with quantifiable data.

A number of opportunities have already arisen from our efforts to address carbon intensity, and we expect that others will arise. For example, our ability to measure greenhouse gas emissions in detail, throughout our global operations, is the basis of UPS carbon neutral, an increasingly popular service for customers. This same capability enables us to provide customers with consulting advice and new services based on customized data we can provide about the emissions associated with their logistics and shipping activities. Finally, we see a growing trend in green procurement, with companies valuing suppliers that can offer more sustainable solutions. To the extent that we stand out in our industry for our credible approach to measuring, managing, and mitigating carbon intensity, we become more competitive as a company.

Corporate Sustainability Priorities

In 2011, we established a set of 15 corporate priorities for addressing sustainability issues and opportunities across our entire enterprise. We made progress with all of these priorities in 2011. Most importantly, we addressed our top priority: embedding sustainability into our corporate functions. We created new positions of responsibility for sustainability at the senior manager level, in all our key functional departments (such as marketing, human resources, and purchasing). This action more than doubles the number of managers at UPS with sustainability as a primary day-to-day responsibility. Our new group of sustainability executives is led by our Chief Sustainability Officer, Scott Wicker (see [page 21](#)).

The sustainability leadership team ensures that our major corporate functions are fully aware of and engaged in our sustainability goals and priorities, which we set through two other standing committees. These include our Sustainability Steering Committee, composed of a select group of our most senior executives, across the enterprise, and the Sustainability Working Committee, which supports the Steering Committee. Taken together, these three bodies and their interrelated processes provide a strong governance system for addressing risks and opportunities related to sustainability.

UPS Corporate Sustainability Priorities



Embed sustainability in corporate functions



Maintain accurate and comprehensive sustainability reporting



Engage UPS international teams in sustainability



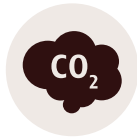
Optimize data collection and reporting processes



Promote sustainability through enterprise purchasing and responsible supply chains



Leverage sustainability to grow the business



Align greenhouse gas reporting to new WRI Scope 3 standards



Engage outside stakeholders



Engage employees



Increase global leadership and policy engagement



Develop a cross-functional carbon abatement calculator



Quantify and promote sustainability successes in UPS value chains



Quantify outcomes from philanthropic engagements



Identify and address gaps in UPS sustainability programs



Continue to advance international sustainability reporting standards

Measurement-Driven Management and Reporting

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

We have identified more than 30 performance measurements that we believe are material for UPS's sustainability reporting. Within that set, we have identified 14 that we consider Key Performance Indicators (KPIs) for the sustainability of our business. These measures include KPIs for environmental and social sustainability, and they are clearly identified as KPIs in this Report. Performance measures for financial results are presented in our Annual Report.

With few exceptions, we use generally accepted or industry-standard metrics and measurement protocols so that our reported results will

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

The table in Appendix A on page 139 summarizes the Key Performance Indicators (KPIs) presented in this Report. Data for these KPIs were presented in our previous Reports. These KPIs appear in the relevant sections of this Report, with explanatory captions as well as accompanying narrative, and they should be used and analyzed in those contexts.

For reference, we present our KPIs that include goals for 2011 in the summary table on the next page. Additional information is also provided in Appendix A on page 139 for KPIs that have goals in 2016 and 2020.

KPIs with Goals in 2011

KPI Description	Scope of Data	Additional Description	2011 Goal	2011
DART – Injury rate per 200,000 hours (Days Away, Restricted, or Transferred duty)	Global Operations	Days away from work, restricted activity, or transferred to another job due to an on-the-job injury. This number represents the number of occurrences per 200,000 hours worked.	3.9 or less	3.8
Auto Accident Frequency (per 100,000 driver hours)	Global Operations	Total number of auto accidents (regardless of severity) per 100,000 driver hours.	9.7 or less	9.3
Aircraft Emissions per Payload Capacity	UPS Airlines - Global Operations	Total Emissions in kgs divided by the sum of max structural payload capacity (in thousands of kgs) weighted by annual aircraft cycles.	0.74 or less	0.73
Full-Time Employee Retention Rate	Global Operations	Percent of all full-time employees that stay with our company annually.	85% or more	90.1%
Employer of Choice Index	Global Operations	A subset of 20 questions from the Employee Opinion Survey that assess employees' opinions of how UPS attracts, retains, and motivates employees.	70% or more	68%
Total Charitable Contributions	Global Operations	Includes The UPS Foundation grants, in-kind services and employee/retiree donations to United Way.	US\$103.5 million or more	US\$93.5 million

We have steadily reduced our DART injury rate and auto accident frequency over the past five years, and met our 2011 goals for both KPIs. We first achieved our 2011 goal for aircraft emissions per payload capacity in 2010, with a value of 0.73. We maintained that performance in 2011, and therefore met our 2011 goal for a second consecutive year.

We achieved one of our two employee satisfaction goals. The 2011 goal for our Full-Time Employee Retention Rate KPI was 85 percent or higher, and our 2011 result was 90.1 percent. The relevant chart for this KPI appears in "Workplace" on [page 120](#).

The 2011 goal for our Employer of Choice Index was 70 percent or higher. Our 2011 result improved to 68 percent from 66 percent in 2010,

but came in below the goal. The relevant chart appears in "Workplace" on [page 120](#).

We set our goal for Total Charitable Contributions in 2007, based on projections that our revenue and profit would continue to grow as they had in the first half of the decade. These projections were not realized due to the recession in the second half of the decade. Instead we focused on maintaining our Total Charitable Contributions at a high level during those challenging years for our communities, rather than allowing our philanthropic support to vary substantially in line with our operating profit. We provide more disclosure on this topic in "Community" on [page 130](#).

Risks and Opportunities

We report extensively on risks, opportunities, and other matters of impact to the company in our SEC filings. Potential risks may include the following:

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

We also see opportunities from increased demand for products and services that help companies mitigate their carbon impact and improve the efficiency and responsibility of their supply chains. We believe that data-rich, efficiency-oriented companies that are committed to transparency will have a competitive advantage in meeting these demands. In particular, competitive opportunities relate to increased customer demand for more efficient logistics services, carbon neutral offerings, responsible packaging, and other capabilities that UPS already possesses and continues to develop. Regulatory changes may also present opportunities, particularly if cap-and-trade systems favor transport companies with leading-edge operating efficiency. Further discussion of our environmental impacts, risks, and opportunities are included in "Environment" on [page 103](#) and in the UPS Annual Report on Form 10-K, which is online at www.investors.ups.com.

Report Parameters

Report Profile

This Report presents data for 2011, accompanied by prior-year results or multi-year results for context. In particular, our charts of Key Performance Indicators (KPIs) provide data for up to five previous years. A summary table of KPIs is provided in Appendix A on [page 139](#).

We have not made any significant changes in our reporting. We have made some changes in organization and layout, aimed at presenting information more accessibly and highlighting the most important information for quick understanding. In all cases, the data we provided in this Report is directly comparable to information in past Reports, both in structure and in detail. We have not restated information from prior periods or changed our data measurement or reporting approach in any material detail that would affect a reader's ability to compare our results over time.

Scope and Boundary

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

- We provide comprehensive enterprise data on fuel use and emissions for our entire global operations, including both direct and indirect (CO₂e Scope 1, 2 and 3) emissions sources, to the extent of our report scope and boundary as disclosed in Appendix B on [page 140](#) section of this Report.
- We break out fuel, emissions, and other data for our U.S. Domestic Package segment because it is our largest business segment.
- We break out data for our Supply Chain & Freight segment, which is our fastest-growing business segment.
- We break out data for UPS Airlines because it is the largest single source of greenhouse gas emissions in our global logistics network and it is our most energy-intensive mode of transport.
- We provide compliance data that relate to U.S. law and regulation.
- We report employment and philanthropic data on a global basis, except for United Way contributions that are made in North America only (Canada, Mexico, Puerto Rico, and the U.S.).

Materiality

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

- extensive communication with independent, non-governmental organizations that evaluate sustainability reporting by UPS and many other companies;
- internal benchmarking of other companies that publish Sustainability Reports, both inside and outside our industry;
- gap analysis using GRI-G3.1 guidelines and external feedback regarding our prior sustainability reporting; and
- analysis of the results of the above processes by members of the UPS Sustainability Working Committee and Sustainability Steering Committee, which includes members of the Management Committee.

Further discussion of our stakeholder engagement program is provided in "Stakeholder Engagement" on [page 32](#).

Materiality Analysis

UPS worked with the non-profit organization BSR to evaluate 61 significant sustainability issues. These issues generally fall into the following broad categories: community impact, emissions/fuel/carbon, employee impact, environmental impact (emissions, facilities, noise, fleets, waste, water), ethics and governance, global social and economic trends, human rights, privacy and security, products and services for customers, and supplier practices. We then ranked each issue's importance based on multiple stakeholder feedback.

External Stakeholders

We considered feedback from the following stakeholders: regulators, communities, NGOs, emerging economies, engaged investors, and activists. We did not include customers and employees in the category of external stakeholders because their interests are well represented in the success factors for UPS's business, as discussed below.

Business Success Factors

We interviewed UPS executives to define the business success factors to include in our materiality analysis. These were defined as:

- "generate revenue,"
- "enhance operational effectiveness,"
- "foster a positive global business environment,"
- "attract and develop talent,"
- "offer innovative and compelling products," and
- "protect and/or enhance the UPS brand."

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

UPS

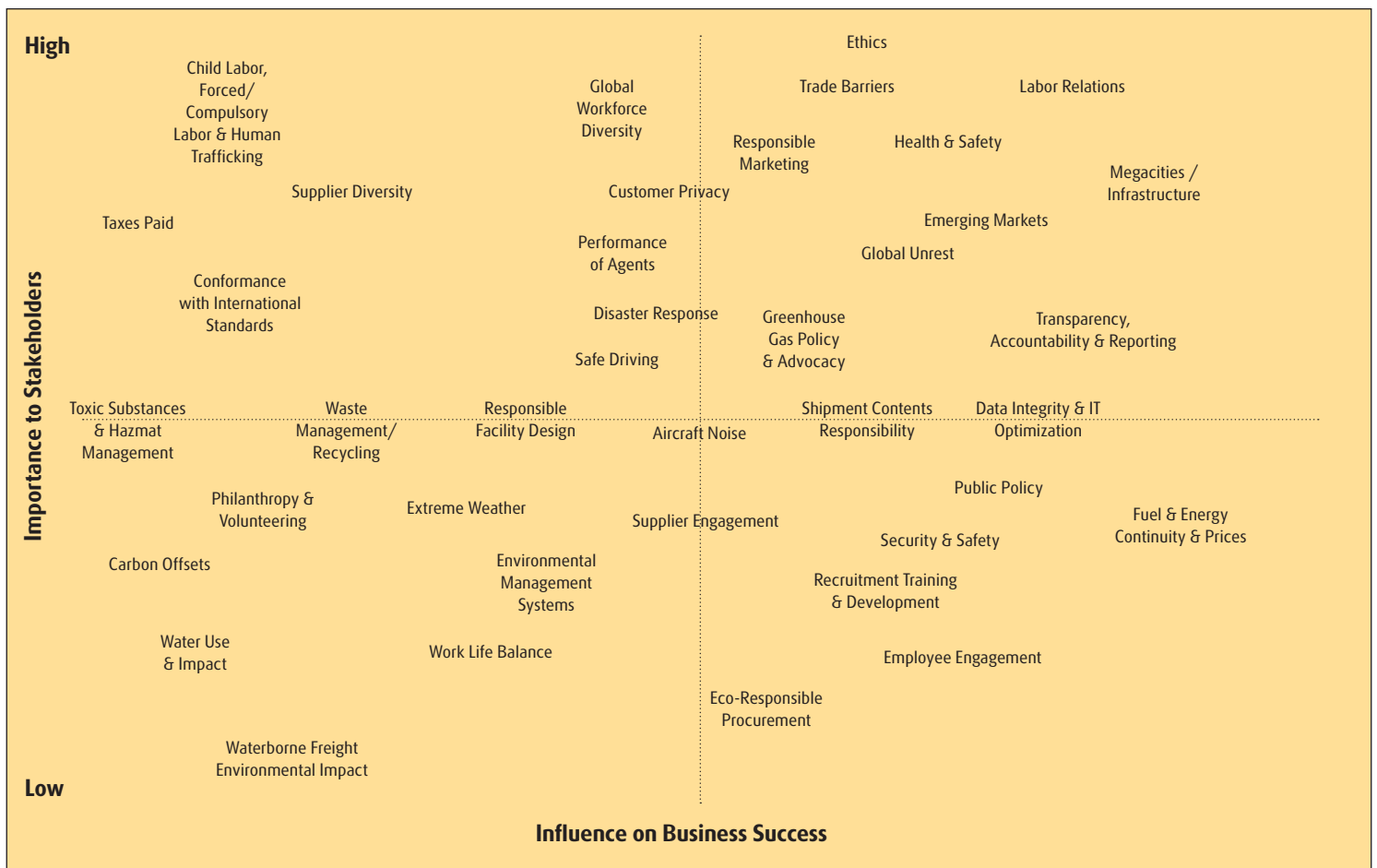
Attention: Lynnette McIntire
55 Glenlake Parkway N.E.
Atlanta, Georgia 30328

pr@ups.com

Materiality Matrix

Our next step was to determine relative importance or weight for each business success factor and stakeholder group. Finally, we mapped the issues on a grid with two axes: "Importance to Stakeholders" and "Influence on Business Success." In this Report, we present a simplified version of the comprehensive matrix that resulted from our process. For quick reference, issues that appear in the upper right quadrant of the matrix are those we identified as most material in importance to both our business and our stakeholders.

Materiality Matrix



UPS's materiality process was developed with support from Business for Social Responsibility.



Executive Statement

Lynnette McIntire, Editor of the Sustainability Report

Materiality: A Systematic Approach to Targeting What Matters



A year ago, one of our board members was previewing our 2010 Sustainability Report. He commented extensively about the contents of the 100+ page document, praising the sustainability team for its comprehensive approach. But he also said: “When I read all this, I have to ask what really matters? What are the MOST IMPORTANT things?” His comment launched a year-long discussion about how to separate activity from meaningful action that can make the greatest impact.

At the same time, we were reviewing international reporting guidelines and recognized that we had not yet publicly reported a formal “materiality analysis,” the next-generation tool that provides greater external transparency and internal alignment by reflecting the interests, expectations and business success criteria defined by both our company and external stakeholders. Sustainability inherently is complex. The social, environmental and economic aspects of a company cross departments, business units and work groups; externally, a business impacts the families of employees, communities, customers, investors and potentially hundreds of special interest groups. A materiality exercise can help review those diverse stakeholder perspectives in a methodical and rational way. Ultimately, the output is a document to help guide how a company should develop strategies, focus energies, report on activities, and allocate resources for the greatest impact.

We worked with the non-profit organization BSR to help us. We have been an active member of BSR for more than a decade so their staff knows UPS well—both in terms of our operations and also how we are viewed by fellow sustainability leaders. We provided them extensive information about UPS’s sustainability programs, goals, and commitments. In addition to our documents, BSR collected and reviewed hundreds of pages of documents and commentary about UPS that were publicly conveyed by socially responsible investors,

researchers, academics, peer companies, the media, governments, NGOs, activist groups and experts in the field. BSR also interviewed some of UPS’s top executives, the Chief Sustainability Officer, and managers deeply involved in sustainability programs. After reviewing the collected information, BSR and UPS created a list of 61 issues with a high degree of relevance to our business and stakeholders. These issues reflected both risks and opportunities. Each issue, specifically defined, was then ranked based on its influence on UPS’s business success mapped against the issue’s importance to stakeholders. We have included a somewhat simplified version of that matrix in this year’s Report (see [page 26](#)).

A materiality exercise reviews diverse stakeholder perspectives in a methodical and rational way.

The top ranking categories of issues, reflecting both external and internal stakeholders, included:

- The effective management of our environmental impact
- Good governance, including the avoidance of bribery and corruption
- Strong labor relations and protection of the health and safety of our employees
- Responsible marketing of our products and services
- Our ability to weather economic, political and social unrest in a global economy,

and at the same time create new economic opportunities around the world as a beneficiary of open trade.

Of course, some specific issues were more important to the company and others were more important to stakeholders. Some items that fell into the lower quadrant for both groups are actually very important to UPS and will continue to get attention, such as philanthropy and volunteering.

And that’s the benefit of this process. UPS’s sustainability leaders have gained insights into the importance of its actions and can now incorporate the viewpoints of multiple stakeholder groups in current and future decision-making. This 2011 Sustainability Report was composed with these issues and stakeholders in mind. We look forward to even more direct feedback from our stakeholders in the future as we refine our materiality process.

Lynnette McIntire

GRI Content Index

We provide a complete GRI content index in Appendix G on [page 157](#).

Assurance Policy

We believe that independent outside assurance is vital to the credibility and transparency of sustainability reporting and performance, and an important step in helping companies promote the cause of sustainability more widely. We therefore conduct our assurance policy to include the following steps:

- We engage Deloitte & Touche LLP to assure this Corporate Sustainability Report, as they have in the past. Deloitte & Touche LLP's Assurance Report statement is on [page 19](#).
- We engage Deloitte & Touche LLP to assure our Statement of Greenhouse Gas Emissions, as they have in the past. Their statement regarding this is on [page 151](#), as part of Appendix B.
- We engage Société Générale de Surveillance (SGS) to verify our direct and indirect carbon dioxide equivalent emissions (CO₂e), as they have in the past. Their statement regarding this assurance is Appendix C on [page 152](#).



Global Citizenship

UPS helps build stronger and safer communities around the world.



Humanitarian Relief

We actively support the world's leading humanitarian relief agencies, including major agencies of the United Nations, and conduct long-term, multinational philanthropic initiatives.



World Food Programme shipment, Kenya, Africa



Global Volunteer Month

UPS employees donated 1.6 million hours in their communities in 2011, a record high and a sharp increase compared to 1.2 million hours in the previous two years.



Volunteering in Pingguan, China



Forestry Initiative

Since 1991, The UPS Foundation has provided nearly US\$19.8 million in support of environmental initiatives around the world.



Tree planting in Gault Nature Reserve, Mont-Saint-Hilaire, Quebec, Canada

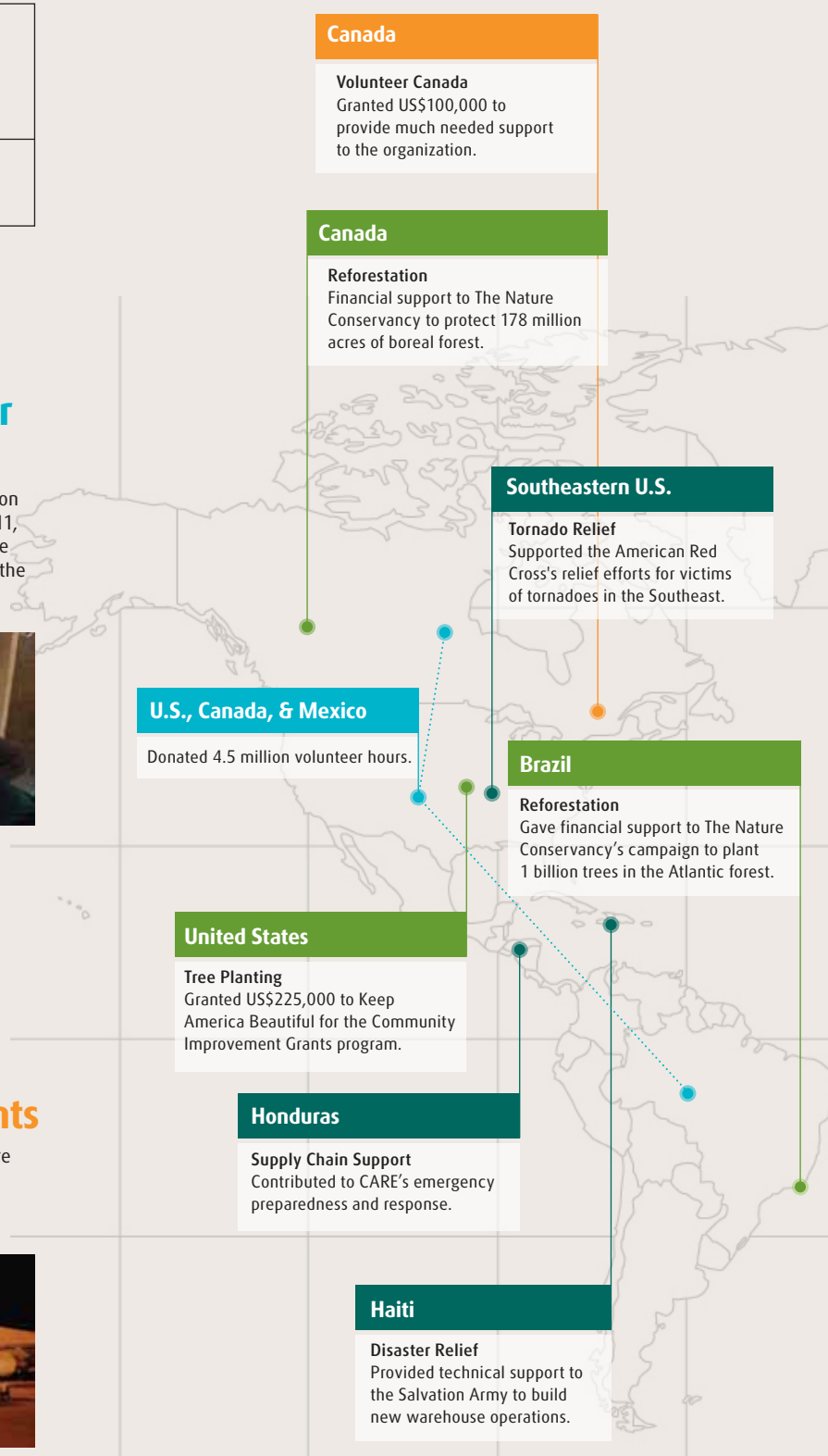


Other Major Foundation Grants

The UPS Foundation donated more than US\$45.3 million to global, national and community-based organizations around the world.



Transporting relief supplies





Governance

Board of Directors

The top governance body at UPS is the Board of Directors. Eleven of the 12 members are outside directors, as defined below. Director D. Scott Davis is Chairman of the Board and chief executive officer (CEO) of UPS. The other three committees are composed entirely of outside directors. The Board and the committees perform annual self-evaluations.

The Board is composed of three women and nine men; 11 directors are white and one is African-American; all directors are over 50 years of age. Diversity is one of the factors we take into consideration in placing new directors on the board.

Directors and Committee Assignments

Outside Directors	Audit	Compensation	Executive	Nominating & Corporate Governance
F. Duane Ackerman		Member	Member	Chair
Michael J. Burns	Member			
Stuart Eizenstat		Member		Member
Michael L. Eskew			Member	
Candace Kendle	Member			
Ann M. Livermore		Member		
Rudy Markham	Member			
William R. Johnson				Member
Clark T. Randt, Jr.				Member
John W. Thompson		Chair		
Carol Tomé	Chair			
Inside Directors	Audit	Compensation	Executive	Nominating & Corporate Governance
D. Scott Davis			Chair	

Committee charters are online at investors.ups.com.

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

UPS

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

Independent Directors

We define an "independent" director as one whom the Board has determined has no material relationship, other than as a director of the company, with the company or any of its consolidated subsidiaries.

The independent directors meet regularly without management directors present. In addition, our corporate compliance officer reports directly to the Audit Committee, which is composed entirely of independent directors.

Compensation and Performance

The Compensation Committee of the Board of Directors sets performance criteria and compensation for the CEO, and also reviews and approves compensation for other executive officers.

Management Committee

The UPS Management Committee includes 10 senior managers of the company, representing all major operational and administrative groups within UPS. The Management Committee supports the Board of Directors in executing UPS strategy. The only member of the Management Committee to sit on the Board of Directors is the CEO. The Management Committee is composed of eight men and two women; eight members are white and two are African-American.

Management Principles and Guidelines

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

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

Our principles and guidelines are set forth in our Code of Business Conduct and our Policy Book. We treat these as living, evolving documents that reflect changes in our business, our international expansion, social trends, and technology. For example, in 2011 we added yet another new translation of the Code of Business Conduct (Vietnamese), bringing the total number of languages to 16. We completed a major distribution of new editions of the Code and the Policy Book in 2011, as well as a program to provide regular quarterly updates online. More information on our governance principles and guidelines is available on our website under "[Investor Relations](#)."

Governance Processes

Corporate governance at UPS is assured by a set of robust and interrelated processes, including internal monitoring of their effectiveness. UPS full-time management employees complete comprehensive training on compliance and ethics programs every other year. In 2011, approximately 43,200 UPS full-time management employees reviewed or received training on our updated Code of Business Conduct, and 41,420 full-time managers and specialists participated in our 2011 business ethics questionnaire. This questionnaire has the dual purpose of alerting our people of potential conflicts of interest and other governance issues while also identifying incidents or uncertainties that need to be addressed.

Our 24-hour employee "Help Line," which allows employees to voice their ethical concerns anonymously, received 5,310 calls in 2011. We investigated all cases and took corrective or disciplinary action as appropriate, to address each substantiated concern. Extensive information on our governance processes is available on our website under "Investor Relations."

Commitments to External Initiatives

We participate actively in organizations influential in environmental policy issues, such as the World Resources Institute (WRI), World Business Council for Sustainable Development (WBCSD), BSR, and others. UPS Chief Sustainability Officer Scott Wicker is a member of the Carbon Action Steering Committee of the Carbon Disclosure Project. UPS employees serve on a number of technical committees for WRI that develop standards and guidance. To help encourage and guide development of a new generation of lower-emission fuels for air transport, we are working with other members of the Airlines for America (A4A), formerly Air Transport Association of America (ATA). We work closely with the U.S. Federal Aviation Authority (FAA) on its long-term program to establish next-generation air traffic control systems that offer increased fuel efficiency, reduced noise and enhanced safety for air carriers. We are active in a number of programs with the U.S. Environmental Protection Agency (EPA) aimed at influencing or executing U.S. climate change policy, and we are a member of the National Clean Fleets Partnership. We participate in a number of industry councils and consortiums involved with environmental sustainability, including the North American Council on Freight Efficiency.

In 2011, UPS continued to execute a multi-year, multi-million-dollar initiative to improve the capabilities of relief organizations to respond to global emergencies. The effort, which involves both UPS and The UPS Foundation, began with a 2009 commitment of up to US\$9 million over two years in the form of substantial financial grants, in-kind services, and the deployment of logistics expertise. The commitment has already benefited some of the world's most respected relief organizations,

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

Stakeholder Engagement

We consider stakeholder engagement an essential aspect of corporate governance and therefore conduct regular dialogue with employees, customers, investors, community leaders, universities, and public officials through formal and informal channels. Because of our long history, we have been engaged with all these stakeholders for decades.

Based on this experience, we believe that long-term commitment by UPS, personal involvement by its employees, and focused action on shared priorities are the best ways to build trust and communication with external and internal groups. We also welcome feedback and diverse points of view. In fact, one of our guiding principles is to be "constructively dissatisfied" with our own performance as a company. This in turn compels us to listen carefully to others, who may have different or better ideas than our own. For example, we:

- Participate in more than 100 assessments, surveys, and inquiries by non-government organizations and research firms as a way to learn about how we compare to our competitors and other sustainability leaders;
- Actively seek and gather feedback from our employees through the use of internal surveys, focus groups, and confidential hotlines;
- Engage respectfully in open dialogue with our labor unions to answer their concerns;
- Solicit insights from non-profits, academics, and community leaders on a variety of emerging issues or concerns;
- Review performance scorecards, reporting standards, and other benchmarking tools, such as awards submissions, to identify areas where we can improve;
- Respond directly to inquiries and comments from groups concerned about our business practices;
- Conduct proactive monthly surveys with customers;
- Catalogue, review, and address customer comments about service issues or concerns about UPS's actions;
- Hold benchmarking sessions with other companies to determine best practices that can be implemented at UPS;
- Require managers to respond to critical comments that emerge from employees, both personally and collectively;
- Communicate transparently, consistently, and frequently with shareowners; and
- Audit media coverage of our company and our industry, including online commentary, to identify emerging issues or trends regarding UPS's operational impact, customer service levels, and other aspects of our business.

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



Collaborations

UPS collaborates with leading organizations to address sustainability issues around the world. We focus on resource risks, fuel and emissions efficiency, transparent sustainability reporting, urgent humanitarian logistics, and carbon mitigation. We are early adopters of new tools, ideas, and technologies, which helps governments, regulators, and NGOs test and develop new solutions for global sustainability.

Resources



Future Fuels



BSR®

UPS is a Member Company, working with BSR on a task force called "The Future of Fuels" to address responsible fuel sourcing.



World Business Council for Sustainable Development

UPS is a member of the World Business Council for Sustainable Development. One project is the development of tools and strategies related to global water issues.

Risk



Policy & Innovation

National Clean Fleets Partnership

UPS is one of five founding members of the Partnership, which is organized under the U.S. Department of Energy with a goal of reducing emissions associated with commercial vehicle fleets.



UPS participates actively in a number of WEF projects, most notably the Sustainable Transport Ecosystem project, and WEF's annual gathering in Davos, Switzerland.



UPS is helping the U.S. Federal Aviation Administration test, develop, and implement its NextGen roadmap for making air traffic more fuel-efficient and airports safer.

Also described in this Report: The Nature Conservancy | Earth Day Network |

UPS Tackles Sustainability Challenges with Global Leaders





Clean Fleets



Sustainable Transportation Ecosystem Project

**Safety
Energy
Emissions
Noise**



Reporting





**WORLD
RESOURCES
INSTITUTE**

UPS is a member of the Corporate Consultative Group at World Resources Institute, working on the advancement and implementation of Greenhouse Gas Protocols for supply chain reporting.

Reporting




UPS is a registered Organizational Stakeholder of the Global Reporting Initiative (GRI) and supports the mission of the GRI to develop globally accepted sustainability reporting guidelines through a global, multi-stakeholder process.



Scope 3 emissions

Public Policy



Along with facing tough competition and the challenges of entering new markets, UPS must continually adapt to new laws and regulations. Legislative and regulatory changes can limit or enhance our opportunities for growth, and government policies and legislation often have a deep impact on how we do business. We present our views on these topics to a wide range of policy makers and stakeholder groups. Our venues for presenting perspectives include the following:

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

We emphasize a number of major themes in our public policy advocacy efforts. These positions are summarized below.

Benefits of Free Trade

We believe that global trade, free enterprise, and fair trade are good for our company, our country, and the global economy. History shows us that trade is one of the primary engines of civilization for reducing conflicts among nations and facilitating the spread of democratic values, and the rule of law, including equal rights. Global trade increases appreciation of human and cultural diversity and supports wider adoption of sustainable solutions for the environment. We therefore advocate

legislative action to remove or lower barriers to trade around the world.

Business Case for Sustainability

We believe that operating sustainably is good for our business and for all businesses. By challenging our people and our leaders to find, develop, and implement more sustainable approaches to business challenges, we strengthen and expand our capacities for innovation, success, and leadership. This in turn helps us develop new products and services, attract new customers, and find new sources of sustainable growth. We therefore advocate for greater transparency and accountability in corporate reporting on sustainability, so that market mechanisms can operate more fully to recognize and reward sustainable businesses of all sizes, in all industries.

Development of Alternative Fuels

We believe that alternative fuels can play an important role in reducing the emissions intensity of the transportation sector, which is of global importance to the environment. The sector today accounts for an estimated 30 percent of global greenhouse gas emissions and that proportion is expected to rise substantially in the next few decades as the economy becomes more globalized and other industry sectors adopt new technologies that reduce their dependence on petroleum. It is not feasible for the private sector or public sector alone to establish the critical mass of vehicles and infrastructure required to make alternative fuels economically viable. Therefore, we advocate for more public-private partnerships, intelligent regulation, and incentive programs that further the development of alternative fuels. And we do so at the highest levels of our company. On March 22, 2011, our CEO Scott Davis wrote the Secretary of Energy indicating that UPS agrees with Secretary Chu's comment that the U.S. is at a "tipping point" in which we can over time begin to reduce our demand for imported oil through alternative fuels, particularly in trucks. Mr. Davis outlined how "UPS is well prepared to participate in 'tipping' our nation's transportation system toward alternative fuels." This would reduce our carbon footprint as well as enhance the energy security of our nation.

UPS has taken our alternative fuels public policy message to the White House (Council on Environmental Quality), various state governments, and transportation groups urging them to incentivize and encourage alternative fuel vehicles. As a board member of both the Electric Drive

Transportation Association and Natural Gas Vehicles for America, we advocated in 2011 for adoption of legislation to encourage the purchase and fueling infrastructure for plug-in electric vehicles, heavy trucks running on liquid natural gas, and medium duty trucks operating on compressed natural gas. At the state level, in 2011, we succeeded in helping obtain passage of three pieces of legislation that will establish a triangle of three Texas cities connected by trucks operating on liquefied natural gas and compressed natural gas.

In 2011, UPS increased the size of its alternative fuel vehicle fleet worldwide by about 35 percent to 2,593 vehicles as of January 11, 2012, as compared to the fleet on January 3, 2011 (1,914 vehicles). UPS is “fuel neutral,” meaning we support a wide array of alternative fuels used, which are generally less carbon intensive and less emissions intensive than petroleum-fueled vehicles being replaced. UPS’s leadership in alternative fueled fleet vehicles was highlighted when President Obama visited our facility in Landover, MD, on April 1, 2011, and announced the creation of a Green Fleet Initiative of which UPS is a charter member.

UPS has advocated other avenues for sustainability besides alternative fuel vehicles. For example, in 2011 we filed comments on the U.S. EPA and National Highway Traffic Safety Administration Greenhouse Gas Emissions Standards and Fuel Efficiency Standards for Medium and Heavy-Duty Engines and Vehicles. We commended the agency for proposing vehicle speed limiters as a technology to meet the proposed standards. We noted that UPS voluntarily uses speed limiters on its 16,000 Class 7 and 8 heavy tractors nationwide and has done so for over a decade, not only for safety reasons, but also as an effective means of improving fuel economy. We urged their adoption, specifying how they could have the most beneficial effect.

Accountability for Political Spending

Our nonpartisan political action committee, UPSPAC, enables approximately 30,000 eligible employees in the United States to aggregate and channel their political donations to political candidates and related organizations with favorable positions on the issues of importance to UPS and its employees. Those eligible to contribute to UPSPAC include management employees who are United States citizens or foreign nationals with a Permanent Resident card (“green card”) who are living and working

in the United States. UPSPAC is permitted to donate funds to candidates, campaign committees and political party organizations working at the federal or state level. In 2011, eligible employees made pledges to UPSPAC totaling US\$2.27 million. The UPSPAC made political donations totaling US\$2.08 million.

Following the U.S. Supreme Court’s decision in *Citizens United v. Federal Election Commission* in 2009, many corporations have voluntarily increased their disclosures related to accountability for corporate political spending. UPS is among them. In 2011, our company was recognized for being a leader in political accountability by the Center for Political Accountability (CPA), a nonpartisan, non-profit organization. CPA joined with the Carol and Lawrence Zicklin Center for Business Ethics Research (part of The Wharton School of the University of Pennsylvania) to study corporations in the S&P 100. Together they created the CPA-Zicklin Index of Corporate Political Accountability, which assesses criteria in seven areas of accountability related to corporate political spending. UPS placed in the top 10 among the 100 companies measured according to the index and was one of 16 companies considered to be in the Top Tier for political accountability.

In addition, the following link outlines the UPS Political Contribution Policy on the Investor Relations section of the UPS website: <http://www.investors.ups.com>



Image Captions

1. Liquefied Natural Gas (LNG) truck 2. UPS applauds the Obama administration for passing free trade agreements 3. Solar panels at our facility in Palm Springs, California, U.S.



Automated Mail Processing
Fontana, California, United States

Marketplace

This chapter concerns UPS's positive effects on the economic conditions of its stakeholders and on economic systems at local, national, and global levels.



Marketplace

UPS's economic sustainability starts with helping other businesses become more sustainable. We do that by handling our customers' shipping and logistics activities more cost-effectively and resource-efficiently than they could do it themselves.

Then we do more. We create additional direct economic value by compensating our employees well, paying taxes and regulatory fees worldwide, paying out a share of profits to shareholders, directing a growing percentage of our procurement spending to small and diverse businesses, and contributing to our communities in the form of funding for The UPS Foundation and matching funds for our employees' donations to United Way charities. A thriving global economy makes UPS more sustainable in every way.

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



1.



2.

UPS MY CHOICE 



3.



Financial Highlights

(in millions except for per-share amounts)

	2011	2010
Revenue	US\$53,105	US\$49,545
Operating expenses	47,025	43,904
Net income	3,804	3,338
Adjusted net income	4,311	3,495*
Diluted earnings per share	3.84	3.33
Adjusted diluted earnings per share	4.35	3.48*
Dividends declared per share	2.08	1.88
Assets	34,701	33,597
Long-term debt	11,095	10,491
Shareowners' equity	7,108	8,047
Capital expenditures	2,005	1,389
Cash and marketable securities	4,275	4,081

* For an explanation of adjustments affecting results, see the footnote on page 25 of the 2011 UPS Annual Report at www.investors.com/ups

Direct Economic Benefit Generated and Distributed

EC1

	2011	2010
Employee Compensation & Benefits	US\$27.6 billion	US\$26.6 billion
Taxes Paid	US\$3.1 billion	US\$2.7 billion
Long-term Debt Repaid	US\$0.19 billion	US\$0.47 billion
Dividends Paid to Shareholders	US\$2.0 billion	US\$1.82 billion
Payments to Small and Diverse Suppliers	US\$780 million	US\$826 million
Total Charitable Contributions	US\$93.5 million	US\$97.1 million



4.



5.

Image Captions

1. UPS Driver, Russia 2. UPS My ChoiceSM logo, a new service in 2011 3. DIAD V 4. Carbon neutral shipment, Fairburn, Georgia, U.S. 5. Supply Chain Solutions, Mira Loma, California, U.S.

Management Approach

The economic sustainability of UPS is inextricably linked to the sustainability of the global economy, because we play a key role in facilitating trade. In 2011, we delivered an average of more than 15.8 million packages each business day, for an average of 1.1 million shippers per day. Because our work is connecting individuals and organizations in more than 220 countries and territories every day, we have a clear understanding of how far globalization has progressed, and how it plays out in different circumstances. We know from first-hand experience how global trade has improved people's lives and increased cooperation among nations. We can also see the consequences of unsustainable actions and decisions, whether they are taken by people, corporations, or governments.

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

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

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

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

We use our purchasing power to create sustainable opportunities for others. Given the choice, we choose to source from businesses that offer more sustainable options for the goods and services we need. We also direct more of our procurement spending to small and diverse businesses. UPS was founded by an entrepreneur more than a century ago, and remained a small business for years. Furthermore, we have seen the power of small business formation to improve the lives of people all over the world. Among other factors, small business formation in many countries is a powerful opportunity for women to increase their economic and global literacy and with it, the well-being of their families and their communities.

EC2, EC3, EC4

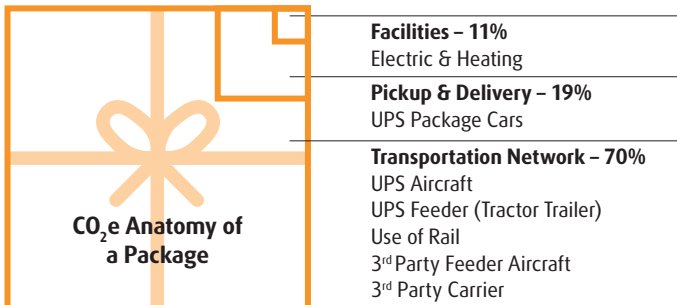
Policy, Goals, and Performance



Transportation and Carbon Intensity: What Customers Need to Know

Transportation is a carbon-intensive activity. That means that compared to its value in a given industry, it generates a larger share of carbon emissions than other activities. For example, commercial transportation accounts for less than 5 percent of the value of output in major sectors of the U.S. economy such as retail and manufacturing—but it accounts for 28 percent of the nation's greenhouse gas emissions. Those statistics come from studies reported by the U.S. Chamber of Commerce and the U.S. Environmental Protection Agency, respectively.

At UPS, we have some statistics of our own, as you can see from the illustration below. The brown trucks you see outside your home or business account for only about 19 percent of the carbon equivalent emissions (CO₂e) of a typical package. Our facilities generate 11 percent from lighting and heating. By far the largest source of carbon emissions is what some might call the "backbone network": planes, trains, and long-haul tractor-trailers.



This is why we spend so much time and attention on optimizing every aspect of our transportation network, and on making sure we are using the lowest-carbon option as often as possible. Planes are the most carbon-intensive, followed by trucks, trains, and ships. We have mastered the art of shifting between these modes not just from time to time, but every day to keep our carbon down.

We also operate more than 2,500 low-emission vehicles that run on alternative fuels and technologies. In fact, we have one of the most diverse and long-standing alternative fleets of any company, anywhere. We get a lot of positive attention for them, like other companies in our sector. Yet we know—and we're willing to tell you—that these vehicles can make only a small difference in total carbon emissions for a global logistics company. The real challenge is to manage, optimize, and integrate everything in the network, everywhere, all the time. That's our approach, and we're sticking to it.

UPS is the world's largest package delivery company, operating in more than 220 countries and territories. We served more than 8.8 million average daily customers in 2011 and delivered an average of 15.8 million packages every business day.

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

Our financial goals and performance are documented extensively online and in our Annual Report (www.ups.com/investors). A summary table of financial highlights for 2011 and 2010 is on [page 40](#).

UPS's pension and post-retirement plan obligations are discussed in detail in our Annual Report, primarily in Notes 5 and 6 to the Consolidated Financial Statements beginning on page 79 of the Annual Report on Form 10-K. In 2011, we made contributions totaling US\$1.44 billion to pension and post-retirement plans. We met the funding contribution requirements for all of the defined benefit plans that we maintain.

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

Risks and Opportunities Related to Climate Change

We provide an extensive discussion of risks and opportunities related to climate change in "Environment—Risks and Opportunities" on [page 103](#). The main economic risks are related to the possibility of regulation of greenhouse gas (GHG) emissions, if such regulation imposes new costs for transportation and logistics companies. The main opportunity related to climate change is to compete even more effectively under such regulation, because of our proven capabilities for measuring, managing, and mitigating GHG emissions.

Executive Statement**Peter Harris, Director of Sustainability,
UPS Europe, Middle East, and Africa****The View from Here**

When I talk with friends about what I do, I often get the question "So what actually is sustainability?" I answer that the meaning is in the word itself—the ability to sustain—the ability to survive and thrive both now and into the future.

Thus, sustainability for UPS is not just important for the business, it is the business.

An important element of UPS's future is the sustainability of the planet we live on. And when we look at how UPS can best support Mother Earth, we find opportunities to provide a better return for our shareowners. So this really is an area where everyone can win.

**We are going to use
our global reach and
our local knowledge in
logistics to undertake
this huge challenge.**

As Director of Sustainability for UPS in the Europe, the Middle East, and Africa Region it is my job to make sure that this win-win happens in my area of responsibility. This starts with understanding all of our interrelationships with the planet—social and environmental as well as economic. We act on three main fronts—climate change, city logistics and social inequality.

The climate change challenge is politically very prominent in Europe at both the EU and national levels, with governments acting on the basis of scientific consensus to encourage company engagement. UPS plays a leading role in this regard. Our ability to accurately

measure our carbon footprint (and offer this service to our customers) is a great start. Then we can use this information to make our already efficient operations even more efficient and with lower carbon. For example we are starting the deployment of our world-class bespoke global telematics technology in Europe this year. This technology helps us reduce the miles we drive, utilize the capacity of our vehicles better, and operate our vehicles more effectively. And we have added ten highly advanced dual fuel biomethane tractors to our alternative technology fleet. These vehicles run in part off gases that come from a landfill site—a great way to use rubbish!

The city challenge relates to air quality, congestion, noise and waste. Again, UPS offers some leading thinking in this regard. For example, by operating efficiently we take vehicles off the road and therefore cut congestion. Also our electric vehicles generate no tailpipe emissions and are very quiet. But in addition to this, we are experimenting with new ways to conduct business in city centres including electrically assisted tricycles!

Our response to social inequality is to continue to strengthen our community work. For example in 2011, UPSers in this Region gave 43,000 hours of their own time as part of our volunteering programme. And The UPS Foundation gave almost US\$2 million to a range of non-profit organisations, often nominated by our own staff in connection to their volunteering work.

This year Europe is hosting the Olympics and Paralympics in London—the world's largest and second largest peacetime events respectively. UPS has the honour of being the official logistics provider. We are going to use our global reach and our local knowledge in logistics to undertake this huge challenge. During the Olympics, we will show the

world what we can do from a sustainability perspective, with initiatives ranging from the use of water transport through the deployment of telematics and alternative fuel vehicles to the measurement and mitigation of our remaining carbon footprint. We are proud to be helping to deliver the greenest games of modern times.

You know, I often think I have the best job in UPS. Who else gets to do all this?! But we have plenty more to work on to keep ensuring that everyone—UPS, UPSers, our shareowners, and Mother Earth—wins. And that's exactly what we're going to do.

EC1, EC5

Direct Economic Benefit

Compensation

Good jobs and compensation packages make employed workers a positive economic force throughout the world, and UPS is one of the world's largest private employers. Our global workforce of 398,242 people includes 77,706 people located outside the United States. In 2011, our expense for full-time and part-time employees was US\$27.6 billion in wages and benefits. While our global compensation and benefit programs vary based upon the competitive market and local regulation, our broad performance goal is to compensate our workers well so that they will view UPS as an employer of choice. (Further information on this topic is provided in "Workplace—Goals and Performance" on page 110.) Our investment in UPS employees generally includes competitive wages and salaries, training, health care, savings plans, and incentive programs.

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

Dividends

In 2011, UPS distributed US\$2.0 billion in dividends to UPS shareholders. We keep our balance sheet strong and we use conservative financial projections in our planning. Combined with disciplined cash management, these attributes have enabled us to increase or maintain our dividend per share for more than 40 years.

Taxes

The taxes that UPS pays to local and national governments around the world help fund schools, community infrastructure, and services. In 2011, UPS paid US\$3.1 billion in taxes worldwide.

The UPS Foundation

Financial support for The UPS Foundation, our philanthropic arm, comes entirely from the profits we earn in our business. In 2011, we contributed US\$39.6 million to the Foundation, which directs substantially all the funding it receives to grant recipients within the following 12 months.

Direct Economic Benefit Generated and Distributed

EC1

	2011	2010
Employee Compensation & Benefits	US\$27.6 billion	US\$26.6 billion
Taxes Paid	US\$3.1 billion	US\$2.7 billion
Long-term Debt Repaid	US\$0.19 billion	US\$0.47 billion
Dividends Paid to Shareholders	US\$2.0 billion	US\$1.82 billion
Payments to Small and Diverse Suppliers	US\$780 million	US\$826 million
Total Charitable Contributions	US\$93.5 million	US\$97.1 million

EC6, EC9

Indirect Benefits

UPS has an indirect economic impact on its markets by making it easier for small and diverse businesses everywhere to participate in the global economy. We achieve this result by providing local businesses with two vital resources: procurement contracts and local support for transport and logistics.

Supplier Diversity

UPS has had a formal supplier diversity process in place since 1992. As part of that process we promise diverse suppliers that we have designated procurement professionals in our corporate, regional, and local offices to help them understand our requirements and qualify to meet them. In 2011, we spent approximately US\$780 million in procurement with diverse businesses. In a majority of cases, these businesses are locally based suppliers because of the highly distributed nature of our business.

Supplier Sustainability

UPS requests for proposals (RFPs) from Tier 1 suppliers include requests for information about their sustainability policies, practices, and performance. We use this information to identify suppliers with a strong sustainability profile, as well as suppliers that seek to become more sustainable. Based on our own experience—and as a supplier to companies of all kinds—we know that improving sustainability is a process that takes time and benefits from collaborations, partnerships, and successful business relationships as much as it does from philosophy or technology. We therefore look for opportunities to encourage suppliers to advance their sustainability by awarding them our business.

Support for Entrepreneurs

Our 61,175 points of retail presence around the world provide small and diverse businesses with local, one-stop access to our global network, including the products, services, and tools they need for shipping locally and internationally. This latter form of support is particularly important for small and diverse businesses. While such businesses make up a majority of the world's importers and exporters, many of them operate in emerging economies where the commercial logistics infrastructure is still in development.

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



The UPS Store® Network Opens Doors For Veterans

The UPS "Vetfran" incentive enables qualified veterans to save US\$10,000 off the cost of the franchise fee of a new The UPS Store location and 75 percent off the initial application fee (applied toward the total franchise fee). When the White House announced "Operation Enduring Opportunity" to find jobs for as many as 75,000 veterans by the end of 2014, we signed up to do even more. We are waiving the entire administration franchise fee of US\$29,950 for up to 10 qualified veterans who are first-time franchisees wishing to open a new location. Tim Davis, Vice President of Operations for The UPS Store franchise network and a retired U.S. Marine, announced the offer to veterans at a local news conference at The UPS Store University in San Diego, California.



EC7, EC8

Additional Economic Indicators

Our procedures for local hiring are substantially the same everywhere in the world, with appropriate recognition for local laws and customs. This is because of the nature of our business, which is the operation of a single, seamlessly integrated logistics network that can make a promise to a customer in one country and keep it in more than 200 others. Therefore the skills we require, and the work our people must do, are strongly consistent across geography and culture. The proportion of people, including managers, that we hire in-country is exceptionally high. Among full-time management employees, more than 99 percent of our people are working in their home country (only 220 expatriates out of 45,200 full-time management employees).

Infrastructure investments and services provided primarily for public benefit are discussed in “Communities—Community Safety” on [page 133](#).

Operating Responsibly



1.

Operating Responsibly in Society

The following discussion concerns UPS's strategy, processes, and progress in preventing corruption and anti-competitive behavior and ensuring full compliance with law and regulation. In other sections of this Report, you can read about our governance programs (see "Profile," page 31), environmental compliance (see "Environment," page 99), and workplace safety (see "Workplace," page 112).

Global Compliance Process

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

Internally we have developed a five-step process to ensure measurable compliance effectiveness in all our international package, freight, and distribution business entities, and we are actively implementing it. This process is depicted to the right. It is the responsibility of the UPS global compliance team to facilitate effective processes and behaviors in our operating units, which starts with identifying and taking ownership of risks and then documenting processes and procedures to address those risks. Our compliance team then works with training specialists to create effective training programs, and with business unit managers to implement the processes, procedures, and training programs. The global compliance team continually monitors data streams and

other information sources that our compliance processes and procedures generate. The focus of this monitoring is to audit and improve our compliance systems and behavior both locally and internationally.

UPS Compliance Process



Risk Analysis and Training

S02, S03

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

In 2011, we continued to revise and update our compliance audits to more proactively seek out evidence of corrupt or anti-competitive practices. We typically conduct these audits in a number of countries each year, selecting them based on the expansion of our business, the resources of our compliance organization, and other strategic factors. We pay particular attention to significant changes in a business entity that can result from, or create pressure for, corrupt or unethical practices. In 2011, we conducted audits in 16 countries, including businesses with which we have both direct and third-party relationships.

Information pertaining to such matters is reviewed and acted on promptly by senior management, up to and including the Management Committee. Organizational responsibility for our business conduct and compliance policies as described previously rests with Teri McClure, Senior Vice President of Legal, Compliance & Public Affairs, General Counsel and Corporate Secretary, along with the Nominating and Corporate Governance Committee of the Board of Directors. Additionally, the UPS Audit Committee is responsible for overseeing the company's compliance obligations related to accounting and financial reporting. Our Code of Business Conduct is available online in the Investor section of our website.

Corruption

S04

Our policy is to comply with all applicable laws, rules and regulations in all countries where we operate. Our Code of Business Conduct states policies and procedures that prohibit UPS employees, and the people acting on our behalf, from engaging in unlawful activities, including violations of the U.S. Foreign Corrupt Practices Act and other applicable anti-bribery laws, rules and regulations in various countries. UPS is not aware of any allegations of corruption in 2011 from any government agency around the world responsible for oversight of this issue.

Anti-Competitive Behavior

S07

Our policy is to comply with all applicable laws, rules and regulations, in all countries where we operate. The UPS Code of Business Conduct includes policies and procedures that prohibit UPS employees, and the people acting on our behalf, from engaging in anti-competitive behavior, antitrust activities or monopolistic practices. In 2011, there were no new legal actions in which parties alleged anti-competitive behavior, anti-trust, or monopoly practices involving UPS. Three such actions are pending from prior years.

We received a grand jury subpoena from the Antitrust Division of the U.S. Department of Justice (DOJ) regarding the DOJ's investigation into certain pricing practices in the freight forwarding industry in December 2007. In August 2010, competition authorities in Brazil opened an administrative proceeding to investigate alleged anticompetitive behavior in the freight forwarding industry. Approximately 45 freight forwarding companies

and individuals are named in the proceeding, including UPS, UPS SCS Transportes (Brasil) S.A., and a former employee in Brazil. UPS will have an opportunity to respond to these allegations. We are cooperating with each of these investigations, and intend to continue to vigorously defend ourselves. On March 28, 2012, the European Commission (Commission) announced a decision finding that 14 freight forwarders, including UPS, had infringed EU competition law. The Commission assessed a fine on UPS in the amount of €10 million. UPS and UPS Supply Chain Solutions were named in a class action complaint filed in the United States District Court for the Eastern District of New York alleging price-fixing activities relating to the provision of freight forwarding services. UPS was not named in this case. UPS and UPS Supply Chain Solutions are among the 60 defendants named in the amended complaint. We intend to vigorously defend ourselves in this case.

In *AFMS LLC v. UPS and FedEx Corporation*, a lawsuit filed in federal court in the Central District of California in August 2010, the plaintiff asserts that UPS and FedEx violated U.S. antitrust law by conspiring to refuse to negotiate with third party negotiators retained by shippers and by individually imposing policies that prevent shippers from using such negotiators. The Antitrust Division of the U.S. DOJ has informed us that it has opened a civil investigation of our policies and practices for dealing with third party negotiators. We are cooperating with this investigation. We deny any liability with respect to these matters and intend to vigorously defend ourselves. Updates on significant legal actions can be found at www.investors.ups.com in Form 10-K and 10-Q documents.

Compliance

S08

Our policy is to comply with all applicable laws, rules and regulations, in all countries where we operate. The UPS Code of Business Conduct includes policies and procedures that prohibit UPS employees, and the people acting on our behalf, from engaging in unlawful activities, including violations of the U.S. Foreign Corrupt Practices Act and other applicable anti-bribery laws, rules and regulations in various countries. On occasion, UPS resolves routine civil administrative matters and associated penalties when they arise. We are not aware of any breaches of compliance in 2011 that are material to our operations or penalties that are material to company assets.



2.



3.

Image Captions

1. Teri McClure, Senior Vice President of Legal, Compliance & Public Affairs
2. All UPS employees are responsible for adhering to the UPS Code of Conduct
3. UPS operates responsibly globally

PR1, PR4, PR5, PR6 PR7, PR9

Product Responsibility

UPS is a service business. We commonly refer to the services we provide as “products,” but UPS does not design or manufacture products in the sense used by GRI. Therefore the disclosures here regarding product responsibility are focused on GRI indicators and additional contextual information that may interest some stakeholders. For more information on environmental issues related to product responsibility, see “Environment—Products and Services” on [page 87](#).

Health and Safety

At UPS, we devote substantial time and resources to improving the safety of our delivery services for our employees, customers, communities, and the environment. We invested US\$118 million in safety training alone in 2011. To keep this training current and relevant, we continually assess safety issues associated with our services, down to the behaviors of individual drivers on individual routes. The substantial majority of our services are subject to this approach because they are all delivered through our logistics network. Most of our services also have extremely long life cycles because, once they become established in the marketplace, we continue to offer them for decades or more. This does not deter us from assessing our performance in delivering them, including health and safety issues.

Customer Satisfaction

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



Innovation in Responsible Services

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

UPS My ChoiceSM for Smart Home Delivery

Now there's no reason to miss a home delivery from UPS. Once your business signs up for UPS My ChoiceSM, we will send you alerts about every delivery. If you want to change the date of the delivery, or the delivery location, just let us know online. This benefits everyone. You get deliveries when and where you want them, without delay. We don't waste time making unsuccessful delivery attempts. Less driving conserves fuel and prevents greenhouse gases for the environment.

UPS Smart PickupTM for More Efficient Shipping

The old way: we come to your business every day, whether you're shipping or not. The new way: UPS Smart PickupTM options that fit your daily needs. Once you register, you can schedule visits by a UPS driver on preset days of the week, or you can schedule a pickup online in a timely manner and we'll alert the nearest driver to stop by at the next opportunity. Smart Pickup is more convenient and efficient for everyone, and better for the environment, too.

Carbon Neutral for Effortless Environmentalism

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

Verified Performance in Eco Responsible Packaging

Packaging is an important frontier in sustainability because the right packaging can conserve resources and reduce carbon impacts in transport. At UPS, we've been giving customers advice on sustainable packaging for years. Our Eco Responsible Packaging Program has been verified by Société Générale de Surveillance (SGS), the same inspection, testing, and verification company that verifies the carbon offset projects we use for carbon neutral shipping. Now we can give you even more: a label that tells the world that your packaging passed our rigorous evaluation for damage prevention, right-sizing, and materials content.

Compliance

UPS is not aware of any allegations of material non-compliance with regulations concerning product and service information and labeling in 2011, from any government agency around the world responsible for oversight of this issue.

UPS takes compliance with ethical and fair business practices seriously, including laws, standards, and voluntary codes related to marketing communications, advertising, promotion, and sponsorship. We diligently review all materials that are publicly released by UPS to confirm that the information we provide is factual and appropriate. Additionally, we require that any company wishing to use our logo or information about our company or services submit a sample of the usage to us for review. We conduct rigorous due diligence regarding the organizations and events we sponsor, and adhere to applicable requirements and limitations regarding sponsorship-related communications. We are not aware of any allegations of non-compliance with regulations concerning these topics in 2011, from any government agency around the world responsible for oversight.

We did not pay any fines with significant monetary value for material non-compliance with laws and regulations concerning the provision and use of products and services in 2011.

Other GRI Indicators

PR2, PR3, PR8

We do not currently report on the following GRI Product Responsibility indicators:

- Total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services during their life cycle by type of outcomes.
- Type of product and service information required by procedures and percentage of significant products and services subject to such information requirements.
- Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data.

London 2012: UPS Delivers for the Olympic Games



Olympic Games athletes train for years, sometimes decades, for a chance to show the world what extraordinary talent, dedication, and preparation can do.

We have been preparing right along with them. In 2009, UPS was selected as Official Logistics and Express Delivery Supporter of the London 2012 Olympic and Paralympic Games. That made UPS responsible for virtually all the distribution and logistics services for the Games via an integrated supply chain solution that includes venue logistics services, warehousing services, and a distribution network that will collect and deliver everything from documents to heavy freight. The responsibility also includes all customs clearance, freight forwarding, and courier services before, during, and after the Games.

Some of the notable numbers include:

30 million

items of inventory UPS will handle during the Games

1 million

pieces of sports equipment that must be ready to go when the competitions start

250,000

pieces of luggage we are organizing for the Games' 10,500 athletes

79,000

square meters of warehouse space (850,000 square feet) UPS will use for the Games

10,000

estimated metric tonnes of greenhouse gas emissions we will offset, making our contribution to the Olympics carbon-neutral

10,000

people associated with bringing the Olympic flame from Greece to London—one of many international logistics processes we are managing for the Games

2,100

medals for competition winners, which must be matched to events and venues throughout the two weeks of the Games

120

vehicles we will use during the Games, including low-emission alternative vehicles and vehicles equipped with our high-tech telematics technology for optimizing efficiency on the road

90

percent of waste from our logistics activities (at a minimum) that will be reused or recycled as part of the Games' "Zero Waste" initiative

48

hours turnaround time we have to transform the Greenwich Park venue from equestrian competition to pentathlon competition, involving 5,000 pieces of sports equipment and 1,000 pieces of technical equipment

36

Games venues in Britain, nearly all of which will host multiple competitions

9

months between January 2012, when we began moving inventory into place for the Games, and September, after the close of the Paralympic games, when everything we brought in is taken back out and sent on to a new destination

4

London 2012 Ambassadors for UPS, including Ben Ainslie (three-time gold medalist in sailing), Denise Lewis (gold medalist, heptathlon), Steve Rider (popular sports presenter), and Louis Smith (bronze medalist in gymnastics)

1

River Thames, which flows adjacent to our Tilbury warehouse and is a candidate for movement of goods by water during the games

Showcasing Sustainability for a Watching World

From the beginning of its planning, The London 2012 Organising Committee of the Olympic Games and Paralympic Games Ltd. (LOCOG) made clear that it intended to put on a low-carbon Games and showcase ways the world can adapt more effectively to climate change. LOCOG identified four areas of sustainability, and UPS has the right capabilities for all of them:



Avoiding Greenhouse Gas Emissions

Our ability to seamlessly blend multiple modes of transport on a global basis means we can intelligently manage transportation movements to maximize climate-friendly transport modes. This goes for local as well as international movements, such as 10,500 beds for athletes that we are bringing from Asia, delivering in London, assembling in athletes' quarters, and then removing for transport to their future locations via UPS Ocean and Thames Barge.

Replacing Conventional Systems with Lower-Carbon Alternatives

UPS already operates one of the world's largest and most diverse private fleets of alternative vehicles. For the Olympics, we acquired electric vehicles, purpose-built in Britain. Another novel approach includes accessing bio-methane fuel for ten of our heavy vehicles harvested from landfills.

Reducing Use of Energy and Other Resources

Our telematics system puts multiple technologies together to generate daily data on our vehicles, drivers, and routes. We combine this data with sophisticated analytics to minimize the number of miles we drive to deliver our logistics expertise and minimize the carbon footprint of each mile driven. We intend to introduce telematics into England for use after the Games. We seek to generate less than 10 percent waste to landfill from our Games-related activities, by reducing, reusing, and recycling.

Compensating for Unavoidable Emissions

While we can greatly reduce our emissions for London 2012, we cannot eliminate them altogether. But we will mitigate the remaining footprint through purchases of high quality, Gold Standard® carbon offsets that come with their own third-party validations. Through these purchases we will mitigate—to the high standards of the CarbonNeutral Protocol—the climate impact of our logistical operations for London 2012.



2.



3.

Image Captions

1. Ben Ainslie, UPS Ambassador, Weymouth, U.K.
2. Electric package car, London, U.K.
3. London 2012 Olympic and Paralympic Games preparation, London, U.K.

Garcia River Forest
Mendocino County, California, United States

Environment

This chapter concerns UPS's environmental stewardship efforts, including those related to energy, greenhouse gases, water, environmental compliance, and other issues.



Environment

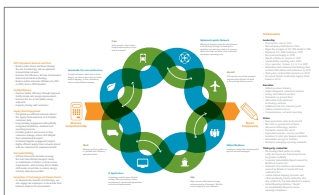
Transportation and logistics add immeasurable value to the global economy. They also generate greenhouse gases. That's why we continually strive to increase our value to the economy while holding back the net growth of our carbon footprint.



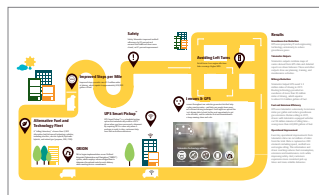
In this chapter, we provide extensive information about our greenhouse gas reduction strategy, which includes our ground and air fleets as well as our facilities, customers, and suppliers. You'll also find out about the ways we address water and waste, the leading organizations around the world that we partner with on environmental issues, and how we make our employees more aware of environmental stewardship roles in their personal lives.

Special Features in this Chapter

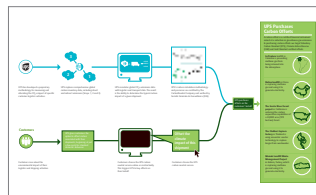
Infographic *Page 69*
UPS Greenhouse Gas Reduction Strategy



Infographic *Page 81*
Continuous Technology Innovation



Infographic *Page 89*
Carbon Neutral Shipping



Executive Statement *Page 58*
Steve Leffin
Director of Global Sustainability, UPS



Stakeholder Statement *Page 91*
Jena Thompson Meredith
The Conservation Fund



UPS Climate Change Statement *Page 71*

D. Scott Davis

Image Captions

1. Ducati Alternative Fuel Vehicle, Milan, Italy
2. Liquid Natural Gas, Feeder Truck, Ontario, California, U.S.

Environmental Recognition in 2011

CARBON DISCLOSURE PROJECT

Carbon Disclosure Project
Top Score; Global 500 CDLI and S&P 500 CDLI



Climate Counts
#1 in consumer shipping;
#11 across all industries



LEED Gold and Energy Star
for corporate headquarters
New in 2011



Maplecroft Climate Innovation Indexes
#9 on the U.S. Rank;
#23 on the Benchmark Rank;
#23 on the Leaders Rank



EPA Climate Leadership Award Winner
Supply Chain Leadership



EPA SmartWaySM
"High Performance" category



Interbrand
Top Global Green Companies

Environmental KPIs & Metrics in this Chapter

KPIs (bold) & Metrics	Change from 2010	Result	Page
Global CO ₂ e Emissions by Business Segment	Varies by business segment	Net CO ₂ e emissions declined despite growth in volume and revenue	65
Global Scope 1 & 2 CO ₂ e Emissions by Source	Higher	Grew in line with package volume	65
Transportation Index	Lower	On track to achieve 2016 Goal	67
KPI: CO₂ pounds per Available ton Mile (Air)	Higher	On track to achieve 2020 Goal	76
KPI: Gallons of Fuel per Package (Ground)—U.S.	Lower	Fuel efficiency increases again	78
PM2.5 Emissions (kg/vehicle) 2002-2020	Lower	Vehicle Emissions Goal in 2012	79
NOx Emissions (kg/vehicle) 2002-2020	Lower	Vehicle Emissions Goal in 2012	79
Miles Logged in Alternative Fuel and Advanced Technology Vehicles	Higher	246 million miles logged since 2000	83
Global Water Consumption	Lower	Water data continues to improve	95
KPI: Water Consumption Normalized—U.S.	Lower	Water efficiency increases again	95
Solid Waste Disposal and Recycling—U.S.	Higher	Recycling volume continues to increase	98
KPI: Penalties as Percentage of Total Environmental Inspections	Higher	US\$ financial penalties decline	99
KPI: Number of Reportable Spills	Higher	Spill volume remains low	100
Spill Incident Cause Analysis	N/A	N/A	100

Environmental KPIs in Appendixes

KPIs	Change from 2010	Result	Page
KPI: CO₂e Emissions—Normalized by Packages and Revenue	Lower	Emission performance improves again	139
KPI: Aviation Gallons Burned per 100 Available Ton Miles	Higher	2011 Goal not achieved	139
KPI: Aircraft Emissions per Payload Capacity	Lower	Achieved 2011 Goal	139

EN29

Management Approach

The global economy demands transportation and logistics to support greater prosperity and higher standards of living around the world. At the same time, transportation and logistics account for a large and growing proportion of greenhouse gases generated by human activity. The consequences for a transportation and logistics company the size of UPS are clear: the more we help customers reduce the greenhouse gas emissions in their supply chains, the more our own emissions will tend to rise.

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

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

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

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

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

The activities summarized above are described in detail in "Environmental—Strategies and Capabilities" on page 61.



UPS Achieves Top Score on Carbon Disclosure Leadership Index

The Carbon Disclosure Project (CDP) is an independent not-for-profit organization holding the largest database of corporate climate change information in the world. Thousands of organizations from the world's major economies measure and disclose their greenhouse gas emissions and climate change strategies through CDP. UPS has voluntarily responded to the Carbon Disclosure Project annually since 2003. In 2006, the CDP introduced a component to the reporting by scoring CDP responses. Top-scoring companies qualify for the Carbon Disclosure Leadership Index (CDLI).

In 2011, UPS qualified for the CDLI with a score of 99 out of 100—higher than any company in the S&P 500 (United States) and matched by only three other qualifying companies in the world. For more information about the Carbon Disclosure Project, and to view our response to the most recent CDP survey, visit www.cdproject.net/.

CARBON DISCLOSURE PROJECT



Signposts for GRI Indicators

Readers looking for our disclosures on GRI performance indicators can find them easily. Just look for the colored labels near chapter and section titles. An example is **EN29** at the top of this page, next to the title of the section.

Global Reporting Initiative (GRI) performance indicators are important because they support transparent and comparable disclosures about sustainability. GRI's comprehensive framework for sustainability reporting includes 81 performance indicators across the areas of economic, environmental and social sustainability.

UPS has voluntarily followed GRI reporting guidelines since 2003. This includes 17 "supplemental" performance indicators for the transportation and logistics industry. In Appendix G, we provide a convenient index to our disclosures for all GRI indicators (see [page 157](#)).

Executive Statement
 Steve Leffin, Director, Global Sustainability

Sustainability Report Assurance and Verification:
 3 Supporting Arguments



In the early stages of sustainability reporting, company leaders often raise the issue of credibility. Many individuals may doubt the validity of climate change or may be unaware of the international standards and protocol that should guide reporting. Others fail to realize the host of benefits that can be realized from measurement and reporting that ultimately serve as the platform for action.

Accurate measurement empowers an organization to better evaluate risks and opportunities, cost savings, and ways to manage energy use and environmental impact. As multiple stakeholders around the world demand this information to judge a company's commitment to transparency and good management, it is not good business to ignore Sustainability measurement and the reporting frameworks that are now guiding corporate response and regulations around the world.

Credible reporting is foundational in sustainability engagement and relates more closely to sound and globally accepted accounting practices than most people realize. Take a look at product life cycle accounting and reporting standards or the "Corporate Value Chain (Scope 3) Accounting and Reporting Standard" of the Greenhouse Gas Protocol and you will see that the standards **"shall be based on the following principles: relevance, completeness, consistency, transparency and accuracy."** These are directly related to the principles of financial accounting. The Global Reporting Initiative, another global sustainability reporting framework, also was developed hand in hand with investor groups who were looking for the same consistency of data as financial reporting.

Of course, in most parts of the world, sustainability reporting is still voluntary. Why would a company make this choice? When a company produces a sustainability report it is telling the world that it understands transparency is important and believes it is in

the best interest of the organization to report. More advanced companies also have taken the next step—to validate and assure data via third-parties. UPS is a major U.S.-based company so we chose to use a major U.S.-based big four accounting firm (Deloitte & Touche LLP, the same firm that does our financial auditing). We were the first company in the U.S. to use a major accounting firm to assure our Corporate Sustainability Report to the AICPA AT 101 standard two years ago.

Credible reporting is foundational in Sustainability engagement and relates more closely to sound and globally-accepted accounting practices than most people realize.

As other companies consider third-party validation of sustainability reporting, we offer the following supporting arguments:

Argument 1: The Norm

- Third-party assurance is the norm for financial reporting; no serious investor takes a company's word for its results without such third-party assurance. We need the same approach to raise sustainability reporting to a similar level of importance in the minds of customers and investors
- To the extent that sustainable behavior is considered to be measurable and credible—

and therefore useful—more people who feel they don't have to pay attention will now be engaged

Argument 2: Credibility

- Assurance and verification increase credibility: we believe something more easily if professional people with reputations at stake have studied an issue and given us assurance about it
- Credibility, which breeds consistency, enables comparability of results across companies
- To the extent that customers can trust their comparisons of potential suppliers with regard to sustainability, they can put their purchasing power to work to support more sustainable enterprises and initiatives

Argument 3: Transparency

- Assurance and verification create transparency. When people have to submit any type of communication for independent review, they work harder to tell the truth more fully and completely
- Assured, verified reports paint a truer, clearer picture of what an organization is doing with regard to the economy, environment and society

To the extent that we as a society can understand what the corporate sector really means in these three areas, we can make reasonable decisions about important matters such as regulation and the role of the public sector.

Policy & Responsibility

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

Our management approach to the environment includes an Environmental Policy Statement and a set of Environmental Guidance Statements that specify how the policy is to be implemented. We include these Statements in this Report (see Appendix F on [page 156](#)).

UPS has in place an extensive Environmental Management System (EMS) in the United States for monitoring environmental performance and following up on issues and opportunities that may arise from our monitoring activities. We developed our EMS to adhere to most of the principles of the ISO 14001 standard. To ensure that our policies are practiced, we employ Region Environmental Managers and District Environmental Coordinators throughout our operations. Their role is to monitor and maintain compliance with environmental regulations, to train other operational personnel, and to raise awareness regarding all environmental aspects of our operations.

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

- water and air quality;
- automotive environmental procedures;
- hazardous waste management;
- spill response plans; and
- underground storage tanks.

Our environmental training and auditing programs identify areas for improvement and outline strategies. We use a number of metrics to manage our compliance effort; two KPIs are presented in “Compliance” beginning on [page 99](#).

Our international environmental programs are guided by our Global Environmental Standards Manual, which is patterned on the ISO 14001 structure. As of the end of 2011, we have implemented the programs specified in the Manual in 35 countries where UPS directly provides services. We plan to continue implementing the standards in other countries in 2012 and beyond.

Environmental Metrics and KPIs

We have designated a number of our environmental metrics as Key Performance Indicators (KPIs) in recognition of their long-term value to UPS and our stakeholders. We use these KPIs to help us execute our other core environmental strategies, which include:

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

Most of our environmental KPIs correspond to GRI performance indicators (see box on [page 57](#)). These KPIs are presented in the pages that follow. 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).

In addition to reporting absolute figures for energy, carbon emissions, water usage, and other indicators, we provide normalized results that put absolute figures into the context of our actual operations. We do this because a normalized result, such as the fuel we consume per ground package we deliver, may be as relevant or more relevant than the absolute result. The use of normalized or “intensity” metrics is particularly useful in understanding and managing carbon emissions as our business grows and changes over time (see box, “[Why Intensity Metrics Matter in Transportation](#)”).

The table in Appendix A summarizes all Key Performance Indicators (KPIs) presented in this Report. Data for all these KPIs were presented in our previous Reports as well. While the KPI data in Appendix A is complete and accurate, we encourage all readers to evaluate our KPIs and metrics in context, which we provide along with the relevant results in this chapter.



Why Intensity Metrics Matter the Most in Transportation

There are thousands of companies around the world now trying to figure out what their carbon inventories (emissions) are; and how to put goals and metrics around the numbers. This is largely driven by an ever increasing awareness with internal and external stakeholders that emissions from utilities, manufacturing, agriculture, transportation and almost every aspect of our daily lives has some impact on the climate. If these emissions go unchecked, it may not be in the best interest of individuals, companies or the planet.

Many NGOs interested in the climate base their perspective, in large part, on the “absolute reduction” of a company’s footprint. After all, if one understands the greenhouse gas (GHG) phenomenon simply stated, we have to reduce the overall emissions to slow down and ultimately stop and reverse the impact of climate change.

However, every industry is different. So, what is most important about metric and goal setting is to first figure out what has the most impact to the climate and the planet, not just the company.

That’s where it gets interesting for transportation: Is the planet better off if the absolute emissions of the most efficient global transportation providers goes up and not down? Think about the world today with 7 billion people (9 billion people expected by 2050) all wanting more goods, medicine, transportation, and in many cases with urgent time-definite delivery. In other words, the world wants speed and that inherently means more carbon-intensive modes like air. How do you measure success when it comes to transportation impact to the planet?

As an integrated logistics provider that collectively manages the shipments of millions of customers each day, we know that we can deliver goods more efficiently than each customer can do on its own. Our optimized global network, fluid modal shift capability, IT systems and modern fleet absolutely reduce climate and environmental impact to the planet as compared to less optimized and less efficient fleets and networks run by individual companies alone.

So what does all of this have to do with absolute and intensity metrics? The world recognizes that the ultimate goal is to reduce

emissions impact while serving society with exponential growth in goods for an ever growing demand and population—but there is not a universal method in place to evaluate transportation efficiency in terms of impact to the entire planet.

A key way to accommodate credible measurement of climate impact on a global scale and ultimately reduce overall emissions is to identify who are the most efficient providers in transportation and track what they do in carbon intensity terms—accommodating, where appropriate, variables for weight, distance and mode of transport. We are going to have to know as a society who can move “more goods for less energy on a global scale.” If we are going to truly address and solve climate and emission issues for the planet, it stands to reason that intensity metrics play a critical role in the evaluation process.

Of course none of these metrics have foundation if the reporting entity is not credible—that’s why comprehensive GHG Scope 1, 2 & 3e reporting, verification & assurance are not just nice but necessary for transportation companies that are serious about reporting. Comparable metrics should be a right of entry for any entity that is passing judgment on who is the best carrier addressing its transportation impact on the planet.



Environmental Strategies & Capabilities

UPS has a long history of developing strategies and capabilities that improve the company's environmental performance. Many of them stretch back decades, such as our work with alternative vehicles. UPS put its first such vehicle, powered by electricity, into service in the 1930s. Other capabilities are more recent, such as our global IT system for capturing and reporting on greenhouse gas emissions. In nearly all cases, the expenditures and investments we make in these strategies and capabilities also directly benefit other aspects of our business, such as safety, operating costs, and customer service. It is therefore nearly impossible for us to provide separate financial figures for environmental protection expenditures and investments by type. We nevertheless recognize that this GRI performance indicator is a valid and useful metric for many other companies.

In this Report, we focus on high-level, high-impact environmental strategies and capabilities that illustrate our management approach and determination to lead our sector toward greater sustainability. In the following sections of the Report, we describe the following strategies and capabilities:

- Comprehensive measurement and reporting on fuel usage, greenhouse gas emissions, and water throughout our entire enterprise (beginning on this page).
- Our global greenhouse gas reduction strategy, which embraces our ground and air fleets, facilities, customers, and suppliers (beginning on [page 68](#)).
- Continuous innovation in how we configure, equip, load, route, drive, monitor, and measure our mobile assets; in how we design, organize, and operate our facilities; and in the products and services we bring to customers (beginning on [page 72](#)).
- Engagement with other organizations that offer world-class initiatives, expertise, forums, and collaborations related to the environment (beginning on [page 73](#)).

Comprehensive Environmental Measurement and Reporting Capabilities

UPS has built one of the world's largest databases in the commercial private sector in order to efficiently manage our operations. We apply a similar philosophy to environmental sustainability: the more we know about how our business interacts with the environment, the more efficiently and effectively we can manage the relationship. Our customers also want to know more about the environmental aspects of their supply chain logistics, and our ability to provide accurate emissions information about their shipping activity with UPS has become a competitive differentiator (see sidebar on [page 66](#)).

We consider our ability to accurately measure the environmental aspects of our business as a core competency, and we believe that our ability to report on environmental matters is a differentiator in our sector—both in the greater visibility we have for running our business responsibly and the greater transparency we can offer in reporting to outside stakeholders. With regard to transparency, we strive for leadership in all areas, with particular emphasis on comprehensiveness and accuracy of carbon reporting. For example, we report our entire global inventory on a CO₂e basis, and we adhere to the Greenhouse Gas (GHG) Protocol Corporate Value Chain (Scope 3) Accounting & Reporting Standard. We also engage respected third parties to verify our GHG corporate inventory and assure our reporting. These and other examples of reporting leadership are presented in the diagram on [page 62](#).

2003	2004	2005	2006	2007	2008	2009	2010	2011
<h2>UPS Reporting Leadership</h2> <p>UPS has steadily increased the breadth, depth, accuracy and transparency of its sustainability reporting, in association with widely recognized international organizations, standards and protocols.</p>								
	Standards-based reporting							EPA Climate Leadership Award
	KPIs and goals							Reporting on Materiality Matrix
	Outside assurance						Mapping facilities by water risk per Global Water Tool	Reporting on water risk strategies
	External recognition						Climate Leaders goal (Transportation Index)	
							Statement of Greenhouse Gas Emissions assured by Deloitte & Touche LLP and verified by Société Générale de Surveillance	
							Scope 3 reporting using GHG Protocol Corporate Value Chain Reporting and Accounting Standard	
							5 of 11 applicable categories	6 of 11 applicable categories
							Rated No. 1 for consumer shipping on Climate Counts Scorecard	
						CO ₂ e reporting for Scopes 1 & 2	CO ₂ e reporting for global enterprise Scopes 1, 2, and 3	
							Sustainability Report "GRI checked"	
						Automotive goal announced	Automotive goal reported	
							Sustainability Report assured by Deloitte & Touche LLP to AT101 AICPA	
					Airline goal announced	Airline goal reported annually		
	CDP Fabulous 50 Climate Leadership	Climate Leadership Index (CLI)			S&P 500 Carbon Disclosure Leadership Index (CDLI)	Global & S&P 500 Carbon Disclosure Leadership Index (CDLI)		World's top score on CDLI - Global & S&P 500
Annual reporting to Carbon Disclosure Project								
Domestic Inventory Reporting Scopes 1&2					Reporting on global enterprise carbon inventory			
5-year KPIs and goals set	Progress Reported for KPIs and goals				KPIs expanded	Progress reported for KPIs and goals		
Sustainability Report structured according to GRI								
FORTUNE "World's Most Admired Companies"								
2003	2004	2005	2006	2007	2008	2009	2010	2011



Focus on the Right Things:

How Carbon Measurement Drives Carbon Management and Mitigation

Transportation Network - 70 percent

The largest portion of CO₂e from a typical package is from the transportation of the package from the origin UPS building to the final destination UPS building. This includes the use of UPS aircraft and UPS tractor trailers along with the use of other third-party companies to move our packages such as railroads, third-party trucking companies, and other airlines.

Pickup & Delivery - 19 percent

19% of the CO₂e is for the brown UPS package cars picking up and delivering your packages every day. This includes the use of our alternative fuel & advanced technology vehicles including hybrid-electric, all-electric, compressed natural gas, and propane vehicles.

Facilities - 11 percent

11% of the CO₂e for a typical package is from our facility utility usage. This includes the electricity from the warehouse lighting and conveyor systems to the natural gas and propane to heat our facilities.



The UPS trucks you see outside your home or business account for only about 19 percent of the carbon dioxide equivalent emissions (“CO₂e”) of a typical package. Our facilities generate 11 percent of our CO₂e emissions from lighting and heating. By far the largest share of CO₂e associated with the average package comes from planes, trains, and long-distance trucking. This is why we spend so much time and attention on optimizing every aspect of our transportation network, and on making sure we are using the lowest-carbon option whenever possible. Planes are the most carbon-intensive, followed by trucks then trains. We have mastered the art of shifting between these modes not just from time to time, but every day, in real time, to keep our carbon down.

We also operate more than 2,500 low-emission vehicles that run on alternative fuels and technologies. In fact we have one of the most diverse and long-standing alternative fleets of any company, anywhere. We get a lot of positive attention for them, like other companies in our sector. Yet we know—and we’re willing to tell you—that these vehicles can make only a small difference in total carbon emissions for a global logistics company. The real challenge is to manage, optimize, and integrate everything in the network, everywhere, all the time.

Priorities

Our priorities in environmental measurement and reporting include the following:

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

Some of our peers and stakeholders have asked about the return on investment in comprehensive measurement and reporting, particularly

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

At UPS, we take a different view. The carbon emissions from any company’s value chain are emitted whether or not the company measures them. If they’re not measured, they’re hard to manage. That’s why UPS was one of the first companies in the transportation and logistics sector to report Scope 3 emissions on a global basis, and why we adopted the Greenhouse Gas Protocol Corporate Value Chain (Scope 3) Accounting & Reporting Standard as soon as it was available. In the first year working with the new standard, we were able to include

five of its 15 emissions categories. We began reporting on a sixth category in 2011, and we plan to report on the remaining five applicable categories in the future.

One consequence of our commitment to comprehensive measurement is that our Scope 3 emissions and overall carbon inventory will continue to rise in the years ahead. We understand—and urge our stakeholders to recognize—that this is a near-term reporting effect. What matters is our long-term success in reducing our actual carbon intensity. Once our Scope 3 reporting reaches maturity, the short-term additive effect will diminish substantially. Not only that, we expect to be in a much stronger position for addressing overall Scope 3 CO₂e emissions. As we stated at the beginning of this section, the more we know about how our business interacts with the environment, the more we can do to optimize the relationship.

We describe our 2011 Scope 3 results in more detail beginning on [page 66](#). For additional information on these topics, please see [pages 42 and 43](#) of our previous Report (available online at www.ups.com/sustainability) and the commentary provided on [page 66](#) of this Report.

Global Reporting on Energy and Emissions

In this Report we include full statements regarding our emissions and energy use according to the latest standards included in the Greenhouse Gas Protocol developed by the World Resources Institute (WRI) and World Business Council for Sustainable Development (WBCSD). These statements are presented as Appendixes B (“Scope and Boundary”) and D (“Initiatives to Reduce Greenhouse Gas Emissions and Reductions Achieved”), respectively, beginning on [page 140](#). A summary statement of our global enterprise CO₂e for 2011 and 2010 by business segment is provided on the following page. CO₂e emissions (abbreviation for “CO₂ equivalents”) is a metric that includes all six global warming gases named in The Greenhouse Gas Protocol. Because CO₂ is by far the most prominent of the six, the other five sources are expressed in CO₂ equivalents of global warming potential in order to create a unified metric.

The chart of global enterprise emissions by source, on the following page, shows that UPS Airlines is responsible for more than half our emissions, and that the ratio of emissions from mobile sources to emissions from fixed sources increased in 2011 compared to 2010. This is consistent with our international expansion, which entails more air travel. We are actively engaged in the global public policy dialog about greenhouse gases resulting from the air transportation industry, and how to minimize or mitigate adverse effects. We devote a number of Key Performance Indicators to air fleet efficiency ([page 76](#)).

The table of global enterprise CO₂e emissions by business segment, on the following page, shows that CO₂e emissions for 2011 declined 3 percent compared to 2010 despite 1.8 percent growth in package

volume and 7.2 percent growth in revenue. This is a direct result of our greenhouse gas reduction strategy (see [page 68](#)), which helps us decouple GHG emissions performance from business growth.

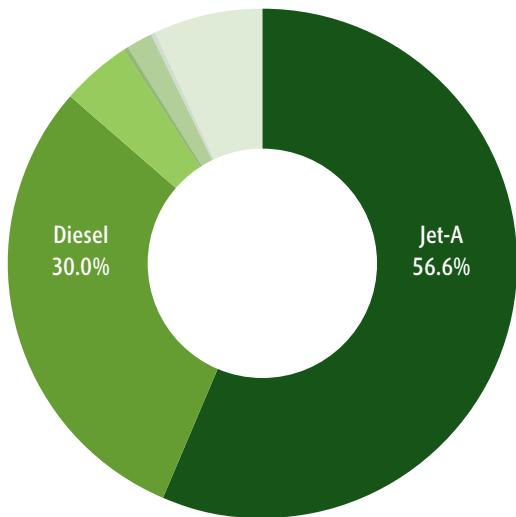
Combined Scope 1 and 2 emissions in 2011 grew 2 percent compared to the prior year—the same rate as package volume as noted above. On a segment basis, absolute CO₂e emissions declined in our largest segment, U.S. Domestic Package, and also in our Supply Chain & Freight segment. These reductions are due in large part to our comprehensive approach to ground fleet efficiency (see [page 78](#)). Emissions rose in our International segment due to continued, relatively rapid business expansion, including a 4.7 percent increase in package volume compared to 2010.

A list of all Scope 3 categories is included in this Report in Appendix B (“Scope and Boundary,” beginning on [page 147](#)), which also provides a complete description of all our emissions sources, in all categories for our entire global enterprise. We also provide a narrative update on our Scope 3 reporting in the next section.

2011 Global Enterprise CO₂e Emissions by Business Segment ('000 metric tonnes)

	U.S. Domestic Package		International Package		Global Supply Chain & Freight		Totals	
	2011	2010	2011	2010	2011	2010	2011	2010
Scope 1	6,638	6,649	4,372	4,022	971	1,042	11,981	11,713
Scope 2	668	683	68	75	155	159	891	917
Total Scope 1 & 2	7,306	7,332	4,440	4,097	1,126	1,201	12,872	12,630
Scope 3	2,654	2,464	1,850	1,997	4,327	5,404	8,831	9,865
Total Scope 1,2 & 3	9,960	9,796	6,290	6,094	5,453	6,605	21,703	22,495
Carbon Offsets Retired							28.6	3.1
2011 Net Global CO₂e Emissions							21,674	22,492

2011 Global Enterprise Scope 1 & 2 CO₂e Emissions by Business Source



	Mobile	'000 metric tonnes	Stationary	'000 metric tonnes
Jet-A	56.6%	7,296		
Diesel	30.0%	3,860		
Gasoline	4.3%	547		
CNG	0.1%	12		
Propane/LPG	0.3%	37		
LNG	0.005%	0.6		
HFC (fugitive)	0.1%	6.6		
Natural Gas			1.5%	198
Heating Oil			0.1%	10
Propane			0.1%	14
Electricity			6.9%	891
Total	91.4%	11,759	8.6%	1,113



Pulling Back the Curtain: How Scope 3 Reporting Drives Emissions Reduction in Value Chains

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

Until recently, few companies combined these two perspectives. That changed in 2010, with the Greenhouse Gas Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard. (Most people call it the “Scope 3 Standard.”) The main purpose of this voluntary standard is to help companies understand that suppliers affect more than the cost and quality of a product: Suppliers also contribute an upstream carbon impact to every product or service.

Companies that care about their carbon now have a new question to ask suppliers of parts, components, or raw materials: What were the associated carbon emissions? Often the company that’s asking the question is getting the same question from its own customers—because they are getting the question from their distributors and consumers further downstream.

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

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

Update on Scope 3 Reporting

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

In our second year working with the new standard, we were able to increase the scope and boundary of our reporting. Of the 15 emissions categories defined by the standard, we have determined that four are not applicable to UPS. We are now reporting on six of the 11 applicable categories.

- **Category 3 – Fuel And Energy Related Activities:** We have seen an increase in the emissions for this category because we are now reporting all fuel sources this year. We report on the upstream (well-to-pump) emissions from raw material extraction up to the point of (but excluding) combustion for the following global fuel sources: Jet-A aircraft fuel, diesel, gasoline, compressed natural gas (CNG), liquefied propane gas (LPG), liquefied natural gas (LNG), natural gas, heating oil, and propane. We also now include for the first time the upstream emissions for the generation of purchased electricity and the transmission and distribution losses. In 2010, we reported on Jet-A, diesel, gasoline, CNG, and LPG.
- **Category 4 – Purchased Transportation & Distribution (Upstream):** This category continues to be our largest source of Scope 3 emissions. It includes all forms of the transportation we purchase, including air, rail, road, and ocean moves by third-parties.
- **Category 5 – Waste Generated In Operations:** We are reporting on this category for the first time, on a partial basis limited to the emissions occurring from landfill wastes in the U.S. We intend to expand the sources included in this category in future years as our data collection systems grow and mature.
- **Category 6 – Business Travel:** This category includes emissions from air, rail, and car travel for business-related activities, for all our global operations.
- **Category 7 – Employee Commuting:** We report on this category for our global operations.
- **Category 14 – Franchises:** UPS operates more than 4,700 UPS Store locations in the U.S., Canada, and India. We have estimated their emissions in order to report on this category.

A detailed breakdown and scope and boundary of all the Scope 3 categories begins on [page 147](#) of Appendix B.

Goals

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

- A 2011 goal for normalized airline emissions (our KPI that measures aircraft emissions per payload capacity), set in 2007.
- A 2011 goal for normalized airline fuel efficiency (our KPI that measures aviation gallons burned per 100 available ton miles), set in 2007.
- A goal for transportation-related CO₂e emissions (our “Transportation Index”), set in 2010.

- A 2020 goal for normalized airline fuel efficiency (our KPI that measures aviation gallons burned per 100 available ton miles), set in 2008.
- A 2020 goal for normalized airline emissions (our KPI for CO₂ pounds per available ton mile), set in 2008.

Results for the airline KPIs listed above appear later in this chapter, in “Air Fleet Efficiency,” and in Appendix A on page 139. The Transportation Index goal is discussed below. We expect to set new environmental KPI goals in 2012. As part of this process, we will incorporate results from the formal materiality analysis we initiated in 2011 and completed in 2012. The materiality analysis and its outcomes are explained in “Profile” on page 25.

2011 Transportation Index Reduction Compared to 2007

	UPS Transportation Index (TI) sums Scope 1 and 2 emissions for U.S. Domestic Package segment (48% of TI), UPS Airlines (37% of TI), and U.S. Supply Chain & Freight (15% of TI).			
	2007 (baseline year)	2011	2007 Business Unit Index	2011 Business Unit Index
U.S. Small Package	2.78 lbs CO ₂ e/pkg	2.63 lbs CO ₂ e/pkg	100	94.6
Global Airline	1.54 lbs CO ₂ e/ATM	1.42 lbs CO ₂ e/ATM	100	92.3
U.S. Supply Chain & Freight	0.26 lbs CO ₂ e/lbs of freight	0.22 lbs CO ₂ e/lbs of freight	100	84.4
			2011 Transportation Index	92.2
			Reduction Compared to 2007	7.8%

UPS created the Transportation Index and set an associated goal in 2010 as part of the Climate Leaders® program of the U.S. Environmental Protection Agency (EPA). Even though Climate Leaders ceased to exist as an EPA program in 2011, we decided to maintain the goal and continue to report our progress as an expression of our commitment to transparency and comparability. The Transportation Index is designed to measure our success in this ongoing effort, year by year. We seek continuous reduction of our carbon intensity regardless of our absolute emissions, because this is how we make the world’s logistics operate more efficiently for the environment.

The Transportation Index sums our transportation-related Scope 1 and 2 emissions in the United States [including our U.S. Domestic Package segment, the U.S. operations of our Supply Chain & Freight segment and our global air operations (UPS Airlines)]. In 2011, as in 2010, the Transportation Index captured 97 percent of UPS global CO₂e emissions. The complete equation for the Index appears in the table above. After defining the Index, we chose 2007 as a baseline year and gave the sum for that year a value of 100. We then set a goal of reducing the Index 5 percent by 2017 and are adjusting it this year to 2016.

It is important to understand that the result we report each year will provide a snapshot of that year rather than a cumulative result. For example, the Index for 2011 came in 7.8 percent below the baseline. This confirms that our carbon intensity for the year was lower than in the baseline year. Our improvements in the Transportation Index are a direct reflection of the continuous innovation and implementation of technologies that we have developed over the past several years and, as a result, our efficiencies have surpassed our Transportation Index goal for the past two years in a row. Because of this, we have decided to adjust our goal and work towards a 10 percent improvement by 2016. This doubles our goal and moves it one year earlier.

We seek continuous reduction of our carbon intensity regardless of our absolute emissions, because this is how we make the world’s logistics operate more efficiently for the environment.

Greenhouse Gas Reduction Strategy

EN18, LT3

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

Our GHG reduction strategy includes three components:

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

The relationship of the three components of the GHG strategy is depicted in the graphic on [page 69](#).

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

Intermodal Shifting

The various transport modes used in our sector have different energy intensities (energy required per unit of volume transported), ranging from aircraft at the high end to ships at the low end. UPS has focused for decades on using the most fuel-efficient transport mode or combination of modes to meet service requirements—and on being able to fluidly shift modes in real time to reduce energy intensity whenever possible. Our expertise in this area enabled us to avoid over 2 million metric tonnes of emissions in 2011 by shifting delivery volume from air to ground, and we avoided another 800,000 metric tonnes of emissions by shifting volume from ground to rail—all while keeping our service commitments to customers.

Optimized Network

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

Air Fleet Efficiencies


Because air transport is more energy intensive than other modes, it contributes the largest portion of our carbon footprint. Measuring, managing, and mitigating the environmental impact of air transport is critical to overall carbon impact—just as transparent reporting on these activities is critical to a full understanding of environmental responsibility in our industry. Please see [page 75](#) for a full discussion of air fleet efficiencies.

Ground Fleet Efficiencies

We have spent decades honing our ability to optimize fuel efficiency for our vehicles and optimize the behavior of our drivers. Owning our fleet enables us to multiply these gains by tens of thousands of vehicles, every business day. Please see [page 78](#) for a full discussion of ground fleet efficiencies.

Full Integration of Technology and Human Factors

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

	<h2>Greenhouse Gas Reduction Strategy</h2>
<p>At UPS, we simultaneously pursue multiple strategies for carbon avoidance in a way that makes each one stronger and more effective than it would be on its own.</p>	

UPS's Optimized Network and Fleet

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

Facility Efficiency

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

Supply Chain Engagement

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

Intermodal Shifting

- UPS has focused for decades on using the most fuel-efficient transport mode, or combination of modes, to meet service requirements—and on being able to fluidly shift modes in real time to reduce energy intensity whenever possible.

Integration of Technology and Human Factors

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

Sustainable Products and Services

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



Measure Comprehensively

Train

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



Truck

Owning our fleet enables us to optimize fuel efficiency and miles driven.



IT Applications

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

Optimized Logistics Network

Making our logistics network more efficient is our primary strategy for slowing the growth in our emissions relative to revenue, which also helps us better serve customers and reduce operating costs.

Aircraft

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

Skilled Workforce

Employees ensure that environmental impacts are well-managed.

Ship

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

Achievements

Leadership

- First electric cars in 1935
- Rail network established in 1966
- Began the re-engine of 727-100 aircraft in 1985
- Replaced 727-200s starting in 1987
- Recycled packaging in 1998
- Hybrid vehicles in service in 1998
- Sustainability reporting since 2003
- CO₂e reporting - Scopes 1, 2, & 3 in 2009
- Alternative fuel/advanced technology fleet reached 200 million mile milestone in 2010
- Third-party verified GHG inventory in 2010
- Received Climate Leadership Supply Chain Award in 2012

Execution

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

Vision

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

Third-party credentials

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



Report
Transparently



UPS Climate Change Statement

As a global transportation company, UPS acknowledges that greenhouse gas emissions impact the climate and pose a serious challenge to the environment—and ultimately the global economy. It is the responsibility of all segments of society to improve energy efficiency and to reduce carbon emissions in the atmosphere. UPS prides itself on its current, numerous sustainability initiatives, and being a responsible corporate citizen. Our long-term strategy is to optimize the processes that consume non-renewable resources. We also recognize that UPS is a critical component of our customers' supply chains, and that we have an obligation to help them operate in a more environmentally sustainable way.

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

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

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

Specific ongoing programs yielding both operational and environmental results are:

- Alternative-fuel and Advanced Technology fleet deployment.
- Fuel and energy conservation programs.
- Airline initiatives on the ground and in the air.
- Shipment consolidation.
- Employee engagement programs.

We will continue to improve our operating efficiency, which is one of the most significant ways we reduce our energy and fuel use. These actions are just a partial list of our efforts to reduce our greenhouse gas emissions and our dependency on fossil fuel. We report our progress annually in our sustainability report (www.sustainability.ups.com). Additional information is on our community website (www.community.ups.com).

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

D. Scott Davis
Chairman and CEO

Continuous Innovation

UPS pursues continuous innovation in technology to positively affect our environmental sustainability. A number of these are described in detail later in this Report. They include:

- Telematics in our delivery and freight vehicles ([page 80](#))
- Package Flow Technologies
- Alternative fuel and advanced technology vehicles in our delivery and freight fleets ([page 83](#))
- Next-generation systems for our air fleet ([page 77](#))
- Installation and management of large-scale solar arrays ([page 86](#))

Innovation is also a hallmark of how we design and automate warehouses and air hubs to increase the fuel and emissions efficiency of these facilities and the vehicles that use them. Last but not least, we invest substantially in adapting leading-edge information technology tools to many aspects of our business.

In 2011, our continuous innovation approach enabled UPS to offer new services and field new service delivery techniques—and thus reduce the miles we drive while satisfying customers. For service delivery, one of our 2011 innovations enhances our suite of Package Flow Technologies to include our on-road integrated optimization and navigation (ORION) system, which employs advanced algorithms to determine the optimal route for each delivery while meeting service commitments.

Another 2011 innovation is our new service called UPS Smart Pickup™ (see “Marketplace,” [page 49](#)). Customers who register for this service help us eliminate unnecessary stops at their locations where there may not be shipping activity every day. They can choose from a range of options, such as pre-selecting specific days of the week for package pick-ups or scheduling an ad hoc pick-up electronically for later that same day. (The option for daily visits to customer locations remains in place.) UPS Smart Pickup™ enabled UPS to avoid driving 6,671,741 miles in 2011, which corresponds to approximately 6,850 metric tonnes of CO₂ avoided. We anticipate that these figures will rise in 2012, with a full year of implementation.



The Future of Fuels and Energy

UPS is engaged deeply in a global conversation about the future of fuels and energy, because managing fuels and energy is essential to our sustainable business success. Our stance includes a number of perspectives:

- We already use a broad range of fuels and energy sources throughout our vehicle fleets and ground facilities.
- We are aggressive in using alternative vehicles under real-world operating conditions—we currently operate approximately 2,500 vehicles using alternative fuels and technologies.
- We operate globally, so we view fuels and energies not only in terms of pricing and emission performance but also in terms of geographically distributed supply and availability.
- We view sustainability broadly, including social and resource issues such as water risk and economic development; these issues intersect with fuel and energy issues in meaningful ways—which are often overlooked or not well understood by many people.
- We recognize that fossil fuels will be with us for many years, while alternatives gain the critical mass they require to become affordable and available.

To advance our understanding of relevant issues and help bring greater clarity to our stakeholders, we became a founding member of an initiative launched by BSR, a leading NGO for corporate sustainability. The initiative, known as “Future of Fuels” will address

three broad areas that society needs to understand more fully and completely. These topics include the following:

- *Fossil fuel dependency* – How long will society depend on fossil fuels, what life cycle issues come with both conventional and future fuels, and what policy choices will affect the fuels available to us?
- *Strategies for companies to navigate the issues* – What are the best processes for selecting from today’s and tomorrow’s fuels, for engaging with policy makers and suppliers, and for promoting the development of more sustainable choices?
- *Opportunities and tools for moving forward* – Where and how can the supply chain address fuel and energy issues, how can life cycle planning tools help reduce greenhouse gas emissions related to transportation, and which collaborations hold the most promise for both near-term progress and long-term change?

As we participate in the BSR initiative, we will continue to develop our own understanding and capabilities, put new fuels and technologies to the test in our operations, and advocate for intelligent public policy. We will also work with others to facilitate change, such as in our role as a fleet partner for the Interstate Clean Transportation Corridor (see [page 84](#)). As the world’s largest package delivery company, we recognize that we have a responsibility to lead through what we say as well as what we do.



UPS Principles for Broader Adoption of Bio-fuels

The benefits of bio-fuels for climate reduction remain uncertain for UPS and most other transportation companies. This is because there is considerable controversy about the environmental, economic, and social trade-offs that come with bio-fuels—and even how to measure them. Some organizations believe that bio-fuels carry social costs that outweigh their environmental benefits, because they require too much water and displace too much food production in a world where food and water risks affect a significant percentage of the population.

Even a more limited analysis of the benefit of bio-fuels, focused on emissions performance, can be controversial. Some advocates use the “life-cycle analysis” method of evaluating bio-diesel fuel, which takes into account carbon dioxide sequestered in the process of growing the plants for the fuel. This method results in a significantly better environmental performance for bio-diesel compared to conventional diesel fuel. In contrast, other climate protection organizations focus on tail-pipe emissions, which do not reflect the life-cycle benefits of bio-fuels.

UPS participates in this dialog at multiple levels, because we believe bio-fuels could be important to the long-term environmental health of our company and our planet. Along with other transportation companies, we also support the development of jet engine bio-fuels.

To guide us internally and in our stakeholder engagement externally, we follow a set of principles for broader use of bio-fuels at UPS in the future. According to these principles, we look forward to a time when bio-fuels are:

- *sustainable*, because they are produced in an environmentally and socially responsible manner
- *additive*, because they address a sustainability challenge (the need for low-emission fuels) without creating others (such as water scarcity)
- *effective*, because they meet or exceed existing fuel performance standards
- *practical*, because they are compatible with available engine technology and work in real-world operating conditions
- *economical*, because they are priced for widespread use
- *reliable*, because they are delivered via robust fuel supply chains
- *meaningful*, because they surpass the environmental performance of conventional fuels

Engagement with Other Organizations

UPS has long had a philosophy of “constructive dissatisfaction” that drives us to keep improving our performance. To give us new ideas and benchmarks, we actively seek the perspectives of world-class organizations that address climate change, resource conservation, and other environmental issues. Some of our more prominent engagements with non-governmental organizations and activities include:

- **World Resources Institute (WRI)** – We participate actively in the Corporate Consultative Group, in technical committees and discussions, and at formal meetings; we have also provided financial support for recent work to enhance the Greenhouse Gas Protocol with regard to Scope 3 emissions.
- **Business for Social Responsibility (BSR)** – We are a member of the organization, we participate actively in meetings, and we consult with BSR on the development of our sustainability program; BSR contributed to the materiality analysis described on [page 25](#).
- **World Business Council for Sustainable Development (WBCSD)** – UPS is a member company; Alan Gershenhorn, our Chief Sales and Marketing Officer, participates in annual council meetings and our Director of Global Sustainability is a Liaison Delegate.
- **Corporate Eco-Forum (CEF)** – UPS is a member of this invitation-only organization for large companies that demonstrate a serious commitment to the environment as a business strategy issue.
- **Global Reporting Initiative (GRI)** – UPS is a long-standing participant in the GRI process and an organizational stakeholder; we report according to GRI-G3.1 guidelines; and we submit our Corporate Sustainability Report to the GRI application level check.
- **World Economic Forum (WEF)** – We participate actively in a number of WEF projects, most notably the Sustainable Transport Ecosystem project, and we participate in WEF’s annual gathering in Davos, Switzerland.
- **North American Council on Freight Efficiency (NACFE)** – UPS is a member of this transportation-industry organization that drives environmental innovation by promoting proven fuel efficiency techniques and technologies.
- **Sustainable Packaging Coalition (SPC)** – We actively participate in member meetings and serve on working committees, such as the one that developed the transportation module for SPC’s COMPASS life cycle metrics software.

Some of our more prominent engagements with governmental organizations and activities include:

- **U.S. Environmental Protection Agency (EPA)** – We participate in the EPA SmartWaySM program, EPA Center for Corporate Climate Leadership, and serve on a number of technical committees.

- **U.S. Department of Energy (DOE) U.S. Clean Fleets Partnership** – UPS is a charter member of the partnership.
- **Natural Resources Canada, Office of Energy Efficiency (OEE)** – We participate in the FleetSmart program.
- **Agence de l'Environnement et de la Maîtrise de l'Énergie (ADEME, France)** – We participate in Objectif CO₂, which was modeled explicitly on the SmartWay program.
- **Interstate Clean Transportation Corridor (ICTC)** – UPS is the fleet partner for a public/private project to extend the reach and capacity of the first interstate natural gas transportation corridor in the United States

UPS is also actively engaged with a number of respected organizations that provide verification and assurance services related to sustainability. Among the most important of these relationships are the following:

- **Deloitte & Touche LLP** – We engage Deloitte & Touche LLP to conduct an examination, in accordance with attestation standards established by the American Institute of Certified Public Accountants, to provide a reasonable level of assurance on our Statement of Greenhouse Gas emissions for each successive calendar year. We also engage Deloitte & Touche LLP to conduct a review, in accordance with attestation standards established by the American Institute of Certified Public Accountants, to provide a limited level of assurance on our Corporate Sustainability Report each year.
- **Société Générale de Surveillance (SGS)** – SGS provides verification for our carbon calculator and internal processes that support our carbon neutral service; SGS also provides verification of our 2011 GHG inventory in accordance with ISO 14064-3:2006 as meeting the requirements of ISO 14064-1:2006.
- **The CarbonNeutral Company** – has assessed the UPS carbon neutral shipment program and certified it to be CarbonNeutral®.

We are always eager to learn from leading non-profit organizations that we support. In 2011, for example, UPS launched a major global forestry initiative in collaboration with The Nature Conservancy, Earth Day Network, Keep America Beautiful, the National Arbor Day Foundation, and the National Park Foundation. These organizations all have demonstrated experience and expertise in forestry preservation and reforestation efforts around the world. More information on these relationships and our forestry initiative appears in “Community” on [page 134](#).

LT2, LT7

Air Fleet Efficiencies

UPS operates one of the youngest and most fuel-efficient air fleets in the package delivery sector, and we report transparently about our entire fleet rather than selected aircraft. We achieved this leadership due in part to investments we have made in past decades to reduce aircraft noise. We source jet engines for our aircraft from all manufacturers who can meet our specifications, in order to increase our knowledge of jet engine technology and reduce our technological risk. The noise and emissions characteristics of our fleet are disclosed in the table on the following page, along with the average age of each aircraft type. The average age of our active fleet of 223 aircraft in 2011 was just 14 years.

The “Stage III limit” in the table refers to noise limit guidelines published by the International Civil Aviation Organization of the United Nations (ICAO) for aircraft purchased after January 1, 1999. Our entire fleet met these limits more than two years before the Stage III deadline (in January 1999), and UPS was one of the first companies in the sector to exceed compliance with ICAO Stage IV noise guidelines. In fact, UPS’s entire fleet met Stage IV limits in 2008. The emissions categories “CAEP 6 and CAEP 8” refer to the most strict guidelines for nitrogen oxide (NO_x) emissions limits published to date by ICAO’s Committee on Aviation Environmental Protection (CAEP). Within UPS Airlines, 84 percent of the fleet already meets these standards.

UPS Operates a Modern, Quiet, Fuel-efficient Global Air Fleet Jet aircraft owned or leased as of 12/31/2011

Aircraft	Engine	Average Age ¹	# of Aircraft in operation	db below Stage III Limit	db below Stage IV Limit	Meets Aircraft Emissions Standard ²
A300F4-600	PW-4158	9.8	53	-11.3	-1.33	ICAO CAEP 6
B757-200	RB211-535E4	16.3	40	-19.8	-9.83	ICAO CAEP 6
B757-200	PW-2040	22.1	35	-13.0	-3.03	ICAO CAEP 4
B767-300	CF6-80C2B6F	11.4	44	-14.5	-4.51	ICAO CAEP 8
MD-11	PW4460	18.7	27	-12.5	-2.53	ICAO CAEP 6
B-747-400F	CF6-80C2B1F	9.3	11	-12.3	-2.33	ICAO CAEP 8
B-747-400BCF	CF6-80C2B1F	19.0	2	-12.3	-2.30	ICAO CAEP 8
MD-11	CF6-80C2D1F	19.1	11	-13.4	-3.43	ICAO CAEP 8
Totals		14.7	223			84% Meet CAEP 6, 8
DC8-73	CFM56-2C1	RETIRED	0	-16.7	-6.72	
DC8-71	CFM56-2C1	RETIRED	0	-16.7	-6.71	
B727-100QF	TAY 651-54	RETIRED	0	-12.4	-2.44	
B-747-200	JT9D-7Q	RETIRED	0	-2.6	7.43	
B727-200	JT8D-15 (HK)	RETIRED	0	-1.0	8.97	
B-747-100	JT9D-7A	RETIRED	0	-0.9	9.13	

¹ Results – Ascend Worldwide – Case Database. August 8, 2011 total aircraft in service. Web. August 19, 2011.

² ICAO (International Civil Aviation Organization), CAEP (Committee on Aviation Environmental Protection), CAEP 4 mandatory for engines manufactured in 2004 to 2007, CAEP 6 mandatory for engines manufactured in 2008 to 2013, CAEP 8 mandatory for engines manufactured in 2014 and beyond.

Two additional air fleet KPIs are presented in Appendix A (page 139). The first of these tracks gallons of aviation fuel burned per 100 available ton mile (gal/ATM). At present, this KPI is closely correlated with the KPI described above for reducing airline emissions, because emissions are generated from fuel consumption. Results for the fuel consumption KPI did not show improvement compared to 2010, and we therefore did not achieve our goal for 2011 of 6.57 gal/ATM. In the long term, we believe that lower-emission bio-fuels will reduce the correlation between the two KPIs, and we still have a goal for 2020 of 6.27 gal/ATM for the fuel consumption KPI.

The second additional air fleet KPI (aircraft emissions per payload capacity) tracks emissions efficiency during taxiing, takeoffs, and landings below 3,000 feet of elevation—periods of relatively high fuel consumption. We achieved our 2011 goal for this KPI.

Innovation in Air Fleet Operations

UPS Airlines has consistently been a pioneer in testing, adopting, and helping develop next-generation techniques and technologies for increasing the fuel efficiency and reducing the noise associated with air transport. In some cases, we advocate new practices that we have tested independently and found useful. One example is continuous descent approach, in which pilots take a continuous glide path toward their arrival airport rather than “stepping down” in levels of altitude. Eliminating the steps reduces fuel consumption and noise levels. In other cases, we are early adopters of new air traffic control technologies. This is particularly true of the “NextGen” program of the Federal Aviation Administration (FAA) in the United States.

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

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

- **Surveillance** – Using automatic dependent surveillance—broadcast (ADS-B) technology permits air traffic controllers to monitor the true positions of aircraft in the sky more accurately and gives pilots greater situational awareness, because it delivers real-time positioning information much faster than older, ground-based radar surveillance systems. This in turn allows planes to safely fly closer to each other, on more efficient routes.
- **Navigation** – Spaced-based navigation allows virtual points in the sky to be used for navigation. This helps pilots and air traffic controllers create “roadways in the sky” that are more direct and efficient, particularly in high-traffic areas. To the extent that aircraft are equipped with the necessary navigation equipment, they can use these “roadways.”
- **Communication** – The combination of GPS and digital communications, known as Controller to Pilot Data Link Communications (CPDLC), allows pilots and controllers to exchange information more quickly and more accurately than voice communications, because it can be quicker to exchange a set of text messages than to complete a required set of voice communications; particularly near busy airports this would reduce the need for air traffic controllers to delay aircraft approaches unnecessarily while they cycle through voice communications with many pilots in turn.

These advances are all beneficial to UPS, which is why we were early to adopt such fundamental technologies as ADS-B. We were the first airline to equip some of our aircraft with ADS-B transmissions and the first to provide the pilot with the ability to electronically “see” other aircraft equipped with ADS-B. We are one of the few carriers taking advantage of ADS-B routes over Canada on our Trans-Atlantic routes. We are also currently working with NavCanada for ADS-B routes on our flights to and from Anchorage.

Closer spacing of aircraft near airports is particularly applicable to our Worldport hub in Louisville, Kentucky because during certain hours of operation we are essentially the only airline flying into and out of the airport. Tighter spacing of planes in the air and on the ground means we can bring planes in and get them back out more efficiently. UPS has been a leader in the development of Continuous Descent Approaches, not just in Louisville, but also in other domestic and European airports. The FAA asked UPS to be the first airline to demonstrate the effectiveness of ADS-B surveillance and Continuous Descent Approaches, because of our track record of working with the agency and operating efficiently and safely.

Ground Fleet Efficiencies

UPS has owned and operated one of the world’s most extensive private ground delivery networks for decades, so we have abundant experience in identifying and executing on ways to increase our ground network efficiency, particularly regarding fuel optimization and usage. The strategies and methods behind this success include customized delivery vehicles that are optimized for how we use them; proprietary, data-driven package routing technology; and telematics (page 80). All these strategies leverage our investments and expertise in information technology and our deep commitment to driver training (page 112). We believe our long-term, continuous focus on increasing ground network efficiency is a significant competitive and environmental advantage, based in part on external recognition for our results.

EN5, EN18, EN20, LT5

Ground Fleet Emissions and Efficiency

The transportation component of our greenhouse gas reduction strategy includes:

- reducing the miles we travel to accomplish any given level of shipping;
- reducing the fuel required for that travel; and
- shifting travel to vehicles employing low-emission alternative fuels and advanced technology.

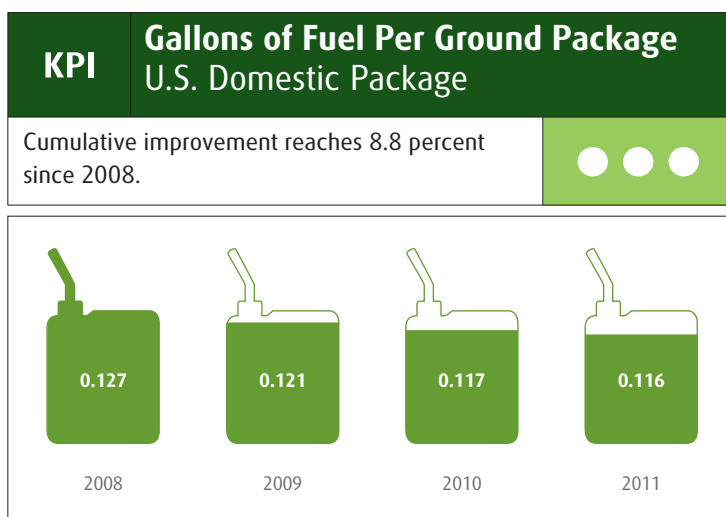
We achieve the first two using innovative approaches such as telematics and our proprietary routing technology. These technologies enabled us to avoid driving more than 85 million miles in 2011, with an associated avoidance of 8.4 million gallons of fuel and 83,000 metric tonnes of CO₂. Over the eleven years from 2001 through 2011, we have avoided driving 268 million miles by combining these and other efficiency strategies:

- allocating our pick-ups and deliveries to the most efficient number of vehicles each day at each facility, thus keeping vehicles off the road wherever possible;
- loading vehicles most efficiently for the order of delivery, so that routes and miles driven can be kept to a minimum;
- routing vehicles so that they reach all required destinations in the least amount of time and miles driven;
- identifying unloading locations that enable multiple deliveries; and
- dynamically re-routing drivers based on events such as changing customer pick up needs or a requested change in delivery location, to avoid wasted miles.

Telematics and routing technology also enable us to burn less fuel and emit less CO₂ for every mile we drive.

We achieve this by:

- 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; and
- selecting vehicles for routes on which they will deliver the best fuel efficiency.



This KPI normalizes fuel consumption to ground package volume. Fuel consumption includes our delivery vehicles, “feeder” vehicles that travel between distribution hubs, and third-party transportation used for transportation by rail and for package delivery (including the U.S. Postal Service, which handles a small percentage of our package volume). In 2011, we reduced our normalized fuel consumption for the third straight year.

Reducing Emissions

One of the ways we measure our ground fleet efficiency is by tracking the average miles per gallon (MPG) for delivery vehicles in our U.S. Domestic Package segment. Our goal is an improvement of 20 percent compared to 2000, which corresponds to MPG of 10.75. As we reevaluated our goals this year, we recognized that emissions are a better metric to track.

Whereas MPG is really an internal operational measure, emissions directly impact the air and life quality of the communities where we live and work. As a result of this analysis, we have decided to replace our MPG goal with emissions-based goals.

Emissions of particulate matter or PM, according to the U.S. Environmental Protection Agency, is a complex mixture of extremely small particles and liquid droplets in the air. Exposure to particle pollution is linked to a variety of health concerns.

To address this issue, our new goal is to reduce our PM2.5 emissions by 75 percent (kg/vehicle) between 2012 and 2020. PM2.5 emissions, also called fine particulate, are 2.5 micrometers in diameter and smaller. As a result of our new goal, we expect to reduce our PM2.5 emissions from 1.2 million kilograms in 2012 to 288,000 kilograms per year in 2020. This will equal a cumulative reduction of 3,800 metric tonnes during this same period.

We also have set a 60 percent reduction goal for NO_x emissions for the same period; NO_x (nitrogen oxide) emissions are emitted from vehicles. As a result, our emissions will go from 32.1 million kilograms in 2012 to 12.2 million kilograms per year in 2020. This will equal a cumulative reduction of 92,000 metric tonnes during the same period.

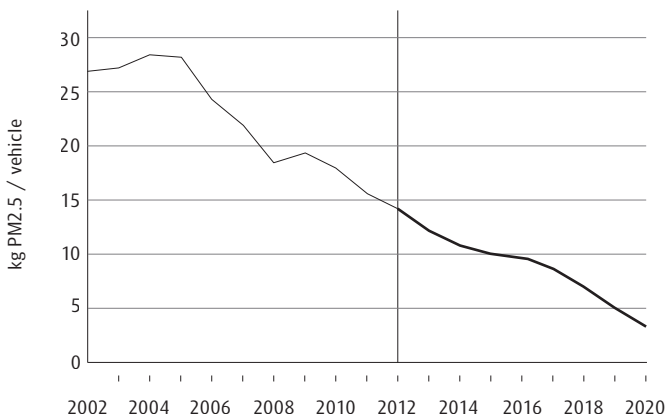
We will achieve this goal through the acquisition of more modern, cleaner vehicles, the adoption of more alternative fuel technology, and rigorous vehicle maintenance.

The reduction of NO_x and PM2.5 will demonstrate our continuing commitment to improving the environmental impact of our U.S. fleet, including package delivery vehicles, tractors, and UPS freight tractors.

PM2.5 Emissions (kg/vehicle) 2002-2020

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

Emissions per ground vehicle in the U.S. (includes U.S. Domestic Package segment and U.S. freight operations of the Supply Chain & Freight segment)

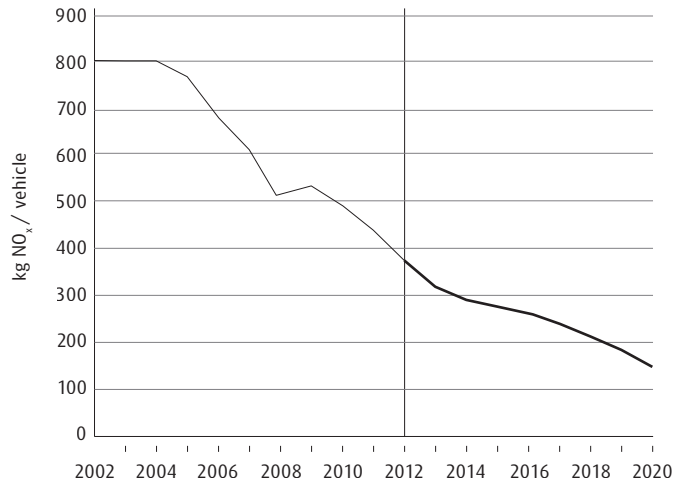


This Goal aims to reduce the amount of emissions that affect the quality of air in our communities. This replaces our previous goal of reducing Miles per Gallon.

NO_x Emissions (kg/vehicle) 2002-2020

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

Emissions per ground vehicle in the U.S. (includes U.S. Domestic Package segment and U.S. freight operations of the Supply Chain & Freight segment)



This Goal measures the tailpipe emissions generated by our vehicles in the U.S.

Telematics

LT5

Data-driven “Rolling Laboratories”

Telematics is the integration of telecommunications and informatics. Popular consumer uses of telematics include location-based search results on smart phones and driver information systems in automobiles. At UPS, we have created a proprietary system of telematics that combines a wealth of information about the behavioral and mechanical variables that affect attributes such as fuel efficiency in the delivery process. This enables us to use our delivery vehicles as “rolling laboratories” in which we collect data, test ideas, and hone our performance. (The rolling laboratory concept includes our use of vehicles employing alternative fuels or advanced technology, which are described in the next section of this chapter.)

We start by equipping our delivery vehicles with informatics sensors that capture data on how the vehicle is performing mechanically: key variables include speed, direction, braking, and the performance of specific parts and components in the engine and drive train. Information streams from the sensors to our IT systems, usually via wireless telecommunications, at the end of each day. Our maintenance teams’ aim is to use this information to perform customized, condition-based maintenance on each vehicle based on its actual needs rather than on a one-size-fits-all schedule. This saves time and money on parts, fluids and maintenance breaks, and reduces the volume of our maintenance waste stream.

Fuel Efficiency and Emissions Benefits

Meanwhile, we are analyzing information from the vehicle in combination with GPS data, customer delivery data, and driver behavior data. The resulting insights we gather enable us to make small adjustments with big payoffs, because we can eventually put them to use with more than 100,000 drivers around the world. The more we know about our vehicles and routes, the more we can optimize them both. For example, we can match a route with a vehicle that gets better mileage at the speeds the route requires. We can also design routes to reduce the number of stops and starts required to deliver packages on time.

Telematics has other benefits as well. One is enabling us to isolate different sets of circumstances in which the same action is likely to lead to different results. Backing up to a commercial loading dock, for example, can add to safety and efficiency. In contrast, backing up in a residential location (full of other vehicles, fixed objects, people and pets) can detract from safety and efficiency.

To maximize the benefit of telematics, we bring our drivers into the process. We give them and their managers detailed reports on how their behaviors stack up against the results we strive for, such as accelerating and braking smoothly to conserve fuel. Having concrete data empowers them to optimize their behavior behind the wheel and make their “rolling laboratory” ever more efficient.

Progress and Results

By the end of 2011, we had installed telematics systems on 74 percent of our delivery vehicles in our largest operating segment, U.S. Domestic Package, and 24 percent of the U.S. pickup and delivery fleet of our Supply Chain & Freight segment. We expect to reach 100 percent deployment of telematics in both these fleets in 2013. We are also moving telematics into our International segment, with substantial deployments in Canada, Puerto Rico, and the UK. In particular, we plan to deploy telematics on all of the vehicles we are using to support the Olympic and Paralympic Games in London as the Official Logistics and Express Delivery Supporter.



Telematics in 2011

In 2011, delivery drivers in telematics-equipped vehicles eliminated more than 98.0 million minutes of idling time. This translates into fuel savings of more than 653,000 gallons (and avoidance of 6,470 metric tonnes of CO₂). Drivers in telematics-equipped vehicles also improved stops per mile compared to 2010. This is an important metric for UPS, because each stop requires an engine restart that consumes fuel. In 2011, our improvement in stops per mile saved the equivalent of 5.3 million miles of driving, which translates to more than 528,000 gallons of fuel and 5,200 metric tonnes of CO₂.



Continuous Technology Innovation

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

Safety

Safety Telematics improved seatbelt adherence by 95 percent and ensured that bulkhead doors were closed, an 81 percent improvement.



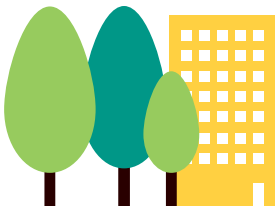
Improved Stops per Mile

Improved stops per mile saved 5.3 million miles of driving, which equate to approximately 528,000 gallons of fuel.



Alternative Fuel and Technology Fleet

A "rolling laboratory" of more than 2,500 alternative fuel/advanced technology vehicles, including electrics, electric hybrids, hydraulic hybrids, and natural gas (propane, LNG, CNG).

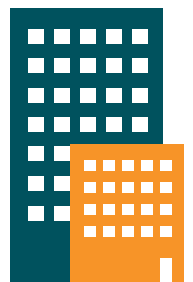


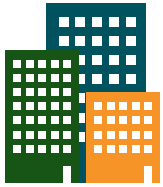
ORION

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

UPS Smart Pickup™

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





Avoiding Left Turns

No left turns. Less engine idle time. Safer crossings. Higher MPG.



Sensors & GPS



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



Results

Greenhouse Gas Reduction

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

Telematics Outputs

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

Mileage Reduction

Telematics helped UPS avoid 5.3 million miles of driving in 2011. Routing technology provided an avoidance of more than 85 million miles of driving, which equates to almost 8.4 million gallons of fuel.

Fuel and Emissions Efficiency

UPS uses telematics extensively to increase miles per gallon and reduce greenhouse gas emissions. Reduce idling in 2011, drivers with telematics-equipped vehicles cut 98 million minutes of idling time—saving more than 653,000 gallons of fuel.

Operational Improvement

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

UPS Green Fleet

LT2

UPS’s “green fleet” is composed of more than 2,500 vehicles, utilizing a variety of alternative fuels and advanced technologies. We expanded our green fleet approximately 35 percent in 2011. We placed an order for 100 new all-electric vehicles in California for delivery in 2012, one of the state’s largest single orders of zero-tailpipe-emission delivery vehicles. These vehicles will displace approximately 126,000 gallons of fuel annually that would have been burned in conventional diesel vehicles. We also added 48 new liquefied natural gas (LNG) trucks to our long-haul network. More information on the infrastructure for these vehicles is provided on the following page in “UPS and the Interstate Clean Transportation Corridor.”

The UPS green fleet is logging miles by the millions, every year—and the pace has been accelerating. Taking the year 2000 as a baseline, it took us more than five years to reach the 100 million mark for miles logged by the green fleet. It took less time than that to travel another 100 million, and we anticipate that it will take less time to travel the next 200 million miles than it did to travel the previous 200 million (see chart to the left). Approximately two-thirds of our alternative fuel/advanced technology vehicles operate in the United States. The rest are on the roads in Brazil, Canada, Chile, Germany, Hong Kong, Mexico, Netherlands, South Korea, Thailand, and the UK.

While our alternative fuel fleet is an important strategic initiative, it is worth noting that conservation, optimized routes, transport modes, and even fuel-saving vehicle design methods can be as impactful or more so for fuel-savings and emissions reduction.

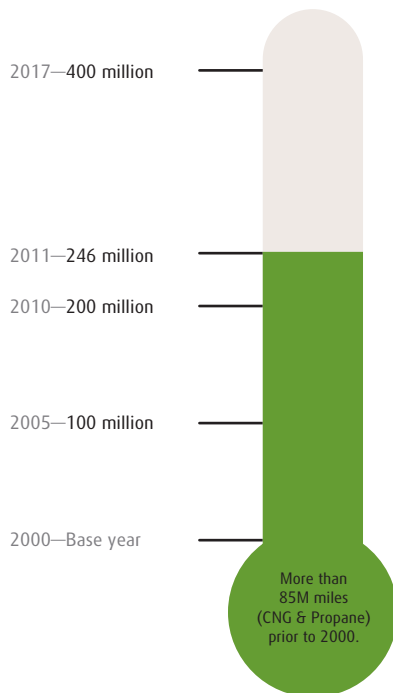
Our green fleet is one of the most diverse in the private delivery industry. We currently have vehicles with different technologies in operation:

- 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 test in the 1930s; in fleet since 2001)

Additionally, we continue to explore hydraulic hybrid technology, which we have described in previous reporting. We have purchased 41 new hybrid hydraulic vehicles in 2011, for delivery in 2012.

Miles Logged in Alternative Fuel and Advanced Technology Vehicles

200 million miles behind us, next 200 million planned.



UPS has driven many miles using alternative fuel and advanced technology vehicles prior to the year 2000, but has elected to use 2000 as the baseline year for measurement. Alternative fuel and advanced technology vehicles include: compressed natural gas (CNG), propane, liquefied natural gas (LNG), diesel hybrid electric, gasoline hybrid electric, diesel hybrid hydraulic, and full electric vehicles. In 2011, UPS has added this as a Key Performance Indicator, reflecting our commitment to the development and commercial deployment of alternative fuel and advanced technologies. A description is in Appendix A on [page 139](#).

Sustainable Strategy

The size and diversity of our green fleet is due to specific strategies within our overall greenhouse gas reduction strategy. As a matter of continuous innovation, we employ a “rolling laboratory” strategy of testing new vehicle technologies in actual operation, to learn everything we need to know about them:

- Their environmental performance, including fuel consumption and emissions profile.
- Their operating performance, including reliability, safety and maintenance requirements.
- Their economics, including up-front investment and overall cost of ownership.

The knowledge and expertise we have gained with our green fleet gives us confidence that low-emission vehicles can help UPS reduce GHG emissions over the long term. This is why we include low-emission vehicles in the transportation component of our GHG reduction strategy. At the same time, our experience shows that some of the most promising alternative vehicles have not yet reached the critical mass required to bring their costs down to levels that deliver a reasonable rate of return.

Our overall commitment to sustainability requires us to make responsible business decisions with all our stakeholders in mind—including the investors who provide capital for our business. For this reason, we are taking a long-term approach with regard to vehicles employing alternative fuels and advanced technologies. This approach includes the following:

- Continuing to expand our green fleet slowly and increasing the knowledge gained from our rolling laboratory strategy.
- Continuing to work with manufacturers of alternative fuel and advanced technology vehicles to let them know our requirements and what we learn when we operate their vehicles.
- Participating in public-private projects aimed at achieving critical mass for promising low-emission vehicles and infrastructure, such as the Interstate Clean Transportation Corridor in the United States (described below).

UPS and the Interstate Clean Transportation Corridor

Liquefied natural gas is one of the most promising alternatives to conventional diesel fuel for trucks, especially in the United States. This is due to a combination of factors: LNG engines have enough pulling power to compete with diesel fuel in heavy-duty commercial trucks, yet they offer a lower emission profile and a lower cost of operation given the current cost of domestically produced gas compared to imported petroleum. UPS has deployed liquefied natural gas (LNG) trucks for more than a decade, so we are familiar with one of the biggest investment hurdles for wider acceptance of LNG in commercial transportation: establishing a fueling and maintenance infrastructure for LNG vehicles.

The U.S. Department of Energy (through its Clean Cities Program) has been a pioneer in assembling and funding public-private partnerships aimed at getting infrastructure in place, so that the vehicles can follow. The strategy focuses on “transportation corridors” for heavy-duty, long-haul operators that travel between the manufacturing regions of the U.S. and densely populated coastal regions where most goods are consumed. Once a corridor is established, it can also serve local and regional operators and critical mass becomes easier to reach. The longest and most vital LNG corridor in the United States is the Interstate Clean Transportation Corridor (ICTC) that stretches from the West Coast to the Rocky Mountains, along five major highways in three states. The ICTC steering committee includes eight government and regulatory agencies at the local, state, and national levels.

UPS is an ICTC fleet partner, working with other partners to extend the LNG corridor to Las Vegas, Nevada and on to Utah. UPS is acting as co-prime contractor for the construction of a new, publicly accessible LNG fueling station in the city, and investing in 48 new LNG trucks that will refuel at the station as they travel the corridor.

The Evolution of Overnite to UPS Freight LTL

Most people think of UPS as a package delivery company. But at the core, UPS is a logistics company, which means that package delivery is only part of what we do for customers. In fact, one of the best examples of our full value proposition for both business success and sustainability began in 2006, when we acquired a less-than-truckload (LTL) trucking company called Overnite. Over the past five years we have transformed Overnite’s operations and culture as we have integrated it into UPS. The results demonstrate the value of UPS logistics expertise for any organization that wants to get more efficient, sustainable, and profitable.

Sharp Increase in Fuel Efficiency

When UPS acquired Overnite, available data indicated that it was hauling about 127 pounds of freight for every gallon of fuel its vehicles consumed. Over the next two years, we focused on improving operations and refining the acquisition and processing of data from business units. In 2010 and 2011, after we had fully integrated the acquisition into our Supply Chain & Freight segment, the ratio was reliably above 163 pounds of freight hauled per gallon of fuel—a 28 percent improvement in environmental and operating efficiency.

The larger benefit is that we successfully decoupled business volume and fuel consumption in our new freight business. The conventional view in the freight industry is that higher business volume drives higher fuel consumption, because it takes more trucks and trips to meet expanded customer commitments. Our approach at UPS is that we increase efficiency regardless of business volume. We succeeded in our freight business: while business volume increased 6.3 percent from 2009 to 2011, we cut fuel usage 10.5 percent. This increase in fuel efficiency avoided almost 80,000 metric tonnes of CO₂.

Not a “Turnaround,” Just Standard Operating Procedure

These benefits at Overnite did not come from a special turn-around process—they came from the core logistics processes we use at UPS every day. For example, we began implementing telematics to track vehicle and driver performance, so that we could optimize both equipment and training for better efficiency. Among other improvements, we cut engine idle time (and its unnecessary fuel consumption) by 50 minutes per driver per dispatch location. When telematics is fully deployed in our Freight segment, we expect an annual savings of approximately 400,000 gallons of fuel per year and avoidance of 4,000 metric tonnes of CO₂.

We also changed the way loads are planned and dispatched, in order to cut down the miles driven per delivery stop. In 2011, better planning trimmed miles per stop by 4 percent at sites still implementing telematics, and by 6 percent at sites with telematics deployed.

Another shift in 2011 is the improvements in driver dispatching, which is expected to eliminate 1.5 million miles driven per year, save approximately 225,000 gallons of fuel annually, and avoid 2,300 metric tonnes of CO₂.

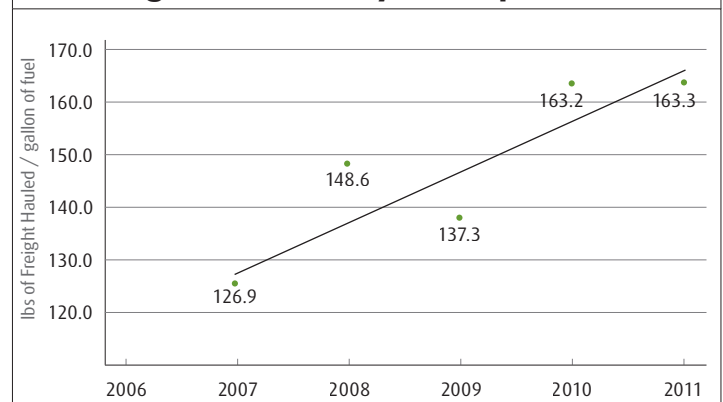
Reliability and Safety Improve as Well

Making the freight business more efficient doesn’t mean cutting corners on reliability and safety. At UPS, we use a wide range of vehicle performance data to maintain our vehicles just ahead of their need for repairs and replacement parts. Implementing this approach in the Freight segment and adding new vehicles to the fleet improved vehicle reliability 13 percent from 2008 to 2011, as measured by miles between mechanical road calls. Meanwhile, during this same period, we achieved double-digit percentage improvements in all three major safety categories: Accidents per Million Miles, DART Injury Rate, and Total Injuries.

As with our fuel and emissions efficiency gains, these improvements came from applying our core expertise to a new business. With regard to safety, this expertise includes training drivers to think and act differently behind the wheel; giving managers accurate, objective data for decision-making about people and processes; and motivating people to perform for themselves and each other as much as for the company.

We’re not finished improving the performance of our freight business—because there’s no end to making logistics and transportation more sustainable. On the other hand, we know from the past five years that our approach to the challenge can work just as well “outside” UPS as it does inside.

UPS Freight Fuel Intensity Has Improved



EN5, EN6, EN7, LT4, LT8

Facilities and Energy Conservation

Other Initiatives

LT6

While we are continually working on our own vehicle fleets to improve their fuel efficiency and emission profile, we are also engaged in broader societal initiatives aimed at reducing greenhouse gases. With grants totaling US\$350,000 from The UPS Foundation, Earth Day Network and The Clean Air Campaign launched a national program to reduce GHG emissions by minimizing vehicle idling at school pick-up and drop-off lines. The “No-Idling Campaign” aims to reduce vehicle emissions to promote healthy lung development in school students, protect the environment, and save fuel. UPS brought Earth Day Network and The Clean Air Campaign together originally, and UPS employees volunteer to help implement the “No-Idling Campaign” around the United States.

With regard to traffic congestion that causes increased GHG emissions from vehicles on a per-mile basis, we take an approach similar to our own GHG reduction strategy. For example, we strongly encourage employee carpools in order to take cars off the road (much like we design delivery routes to minimize the number of vehicles we use each day). We also actively promote legislation and regulation for improving transportation infrastructure, which alleviates congestion, lowers fuel consumption, and improves air quality.

The second component of our greenhouse gas reduction strategy focuses on stationary assets, which primarily means facilities (excluding the vehicles, planes, trains and ships used in our transport network). Stationary emissions declined to 8.6 percent of our global carbon inventory in 2011 from 9 percent in 2010. We continue to develop, sustain, or expand initiatives to reduce energy use in all our facilities. Below we discuss energy saved due to conservation and efficiency improvements, and initiatives to reduce indirect energy consumption and reductions achieved. We also describe a major 2011 initiative to use renewable energy sources and other ways we increase energy efficiency in our facilities. We do not currently report on environmental impacts related to real estate or environmental impact assessments. A complete listing of our enterprise energy performance appears in Appendix E on [page 154](#).

LEED Gold and Energy Star Certification

In 2011, our corporate headquarters complex earned Leadership in Energy and Environmental Design (LEED) Gold certification from the U.S. Green Building Council (USGBC), and Energy Star certification from the U.S. Environmental Protection Agency (EPA). LEED certification requires satisfying demanding criteria in five areas: sustainable site, water efficiency, energy and atmosphere, materials and resources, and indoor environment quality. The Energy Star award certifies that our headquarters complex uses less energy, is less expensive to operate, and generates fewer greenhouse gas emissions than 75 percent of similar buildings in the United States.

Renewable Energy

Like everything at UPS, investment in renewable energy production is subject to rigorous evaluation for return on investment. We must satisfy all our stakeholders to remain sustainable, even as we continue to reduce our environmental impacts. For many years, the full cost of ownership for solar technology reduced its economic and environmental return on investment compared to other energy-saving strategies.

This changed in 2010, when we determined that by doing the necessary engineering on our own, managing construction and purchasing photovoltaic panels directly, and securing government subsidies, we could achieve a competitive return on investment with a large-scale photovoltaic solar array. We completed this project in 2011 by installing a 250 kilowatt (kW) solar system on the roof of our distribution facility in Lakewood, New Jersey. The 70,000 square-foot facility handles an average of 22,000 packages each business day. We designed the 1036-panel system to produce approximately 270,000 kW hours of electricity per year, which is about 30 percent of the building’s annual energy needs.

The impetus for this project was based on the experiences we have gained by operating our solar-powered facility in Palm Springs, California, which produces 70 percent of its electricity from solar

Products and Services

technology. The two solar facilities together generate 350 kilowatts of renewable energy, and are expected to eliminate approximately 300 metric tonnes of CO₂ emissions each year—the equivalent of taking 60 automobiles off the road. We are also developing two additional 1.1 megawatt solar installations in New Jersey, for completion in 2012. In addition to the solar facilities we own in California and New Jersey, the facility at the UPS Regional Air Hub at the Cologne-Bonn airport in Germany hosts a rooftop solar farm, commissioned and operated by the airport. The farm produces up to 1.2 million kilowatt hours of electricity annually.

Lighting

Lighting is one of our major stationary sources of energy use and emissions, in part because our distribution centers are large facilities that remain in operation overnight. In 2011, we substantially completed our multiyear lighting upgrade program in which we replaced or upgraded approximately 9,000 fixtures with more energy-efficient lamps. The total since 2007 is nearly 98,000 fixtures upgraded, with an estimated annual energy savings of 34 million kilowatt hours.

As lighting technologies continue to offer greater energy efficiency, we continue to apply them to our operations. UPS works closely with industry-leading lighting manufacturers to develop and improve lighting systems specific to our operational needs. In 2011, we co-developed, tested, and approved a facility dock door light that significantly reduces our dock door energy consumption while maintaining proper lighting levels in what is traditionally one of the harder operational areas to light well: deep into a 53 foot long truck trailer. We continue to test appropriate locations for LED lighting within our operations. In one location we replaced 36 exterior high-pressure sodium light poles and wall packs with new energy-efficient exterior LED lighting. We calculate the energy saving from this test project at 110,000 kilowatt hours per year, or roughly 1.4 million kilowatt hours over their expected life span.

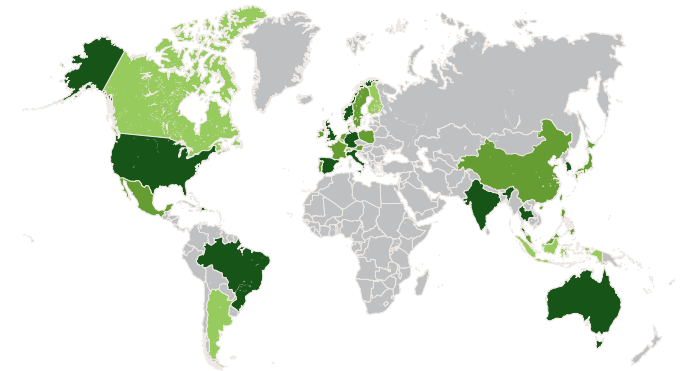
Back-Office Energy Conservation

Our attention to energy efficiency within our office and operating facilities continued in 2011. One new area of focus was capturing more data regarding resource consumption. We developed a low-cost universal remote dashboard for monitoring electricity use and installed it in two test locations in 2010. Throughout 2011, we captured additional data, such as water usage, natural gas consumption, and fuel island monitoring. We believe that by capturing facility resource consumption data at the source, we will discover a range of opportunities for increasing the energy and resource efficiency of our facilities. In fact, these efforts helped us achieve LEED status for our corporate headquarters (see [page 86](#)) and Energy Star designations for other facilities.

Carbon Neutral Shipping

UPS's carbon neutral option enables customers to mitigate the climate impact of their shipping. We launched carbon neutral shipping in the United States in 2009, as the first option of its kind from a major U.S. logistics company. In 2011, we continued our international expansion and now offer the service to customers in 36 countries of origination (destinations can be anywhere).

Origination Countries for UPS carbon neutral Shipping



Ireland	Canada	France	Macau
Great Britain	United States	Switzerland	Philippines
Belgium	Mexico	Italy	Thailand
Netherlands	Dominican Republic	Austria	Malaysia
Denmark	Puerto Rico	India	Indonesia
Norway	Brazil	China	Singapore
Sweden	Argentina	Korea (South)	Australia
Finland	Portugal	Japan	
Germany	Spain	Taiwan	
Poland		Hong Kong	

Delivery destinations (in green) can be anywhere in the world.

The essence of the service is that we use customer fees from carbon neutral shipping to purchase high-quality, verified carbon offsets. A carbon offset is a certified financial instrument aimed at a reduction in greenhouse gas emissions. The offsets we purchase meet the key standard of additionality, which means that the carbon reduction project in question (such as reforestation) produced a reduction in CO₂ generation or sequestration of CO₂ in addition to what would have been achieved by activities already planned or underway. It is additionality that makes such projects able to offset emissions from other activities. We retire all offsets in direct proportion to the actual shipments for which customers purchased our carbon neutral service.

Our carbon neutral process is verified by Société Générale de Surveillance (SGS), an independent inspection, testing, and verification company. Additionally, The CarbonNeutral Company has certified UPS's carbon neutral process in accordance with The CarbonNeutral Protocol. In purchasing carbon offsets, we target Voluntary Carbon Standard (VCS), Climate Action Reserve (CAR), and Gold Standard certified offsets. These organizations support a variety of high-quality, geographically appropriate CO₂ offset projects. UPS has purchased offsets in the following carbon-reduction projects:


- La Pradera landfill in Colombia, which is preventing methane gas from being released into the atmosphere.
- Dalian landfill in China, which is capturing methane gas and using it to generate electricity.
- Garcia River Forest in California, where the Conservation Fund is restoring the carbon sequestration capabilities of a 24,000-acre (970-hectare) forest. Please see the stakeholder statement on [page 91](#).
- The Cholburi tapioca factory in Thailand, which is using anaerobic reactor technology to capture biogas from wastewater.
- Mamak Landfill Waste Management Project in Ankara, Turkey, which is capturing methane gas and using it to generate electricity.

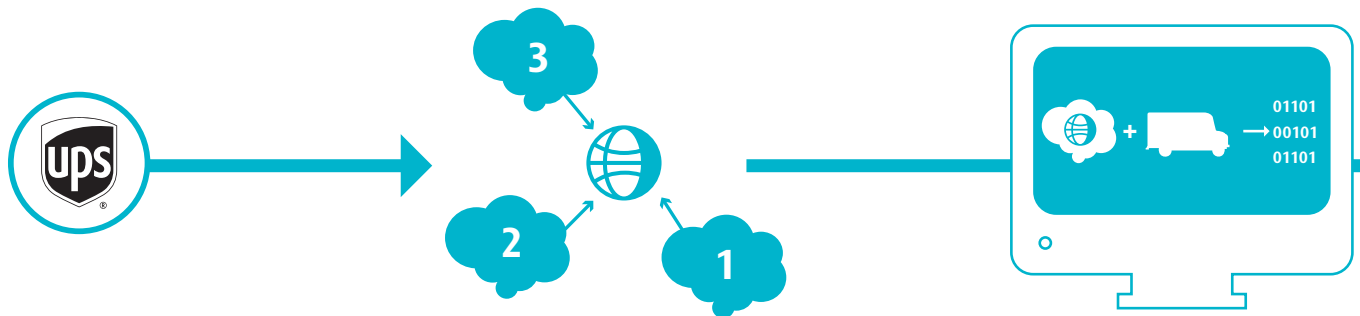
The credibility of our carbon neutral service is based on our ability to perform a number of complex processes at a high level of precision and repeatability. These include:

- capturing our comprehensive global carbon inventory, including Scope 1, 2 and 3 CO₂e emissions;
- accurately determining emissions data for a given shipment including the form(s) of transport used;
- “truing up” our carbon inventory to the year in which the customer used the service, thus ensuring that the offset is calculated using current-year emissions performance data;
- identifying high-quality carbon offsets that meet our stringent acquisition standards;
- offering two different offset offerings—for transactional shippers and high-volume shippers;

- making the service available to a critical mass of customers, including individuals and small businesses, and
- achieving certification and verification of our service and carbon neutral process, respectively, by two independent third-party organizations.

To encourage customers to use carbon neutral shipping, we pledged to match US\$1 million in offsets purchased by customers in 2010 and 2011. This matching program effectively doubled the mitigation benefit of the service for these two years. In 2012, we intend to offset all of the logistics and hospitality activities we conduct as an Official Logistics and Express Delivery Supporter of the London 2012 Olympic and Paralympic Games (see [page 51](#)).

	<h2>UPS carbon neutral Service</h2>
<p>UPS carbon neutral shipping is based on a precise and credible calculation of carbon emissions.</p>	

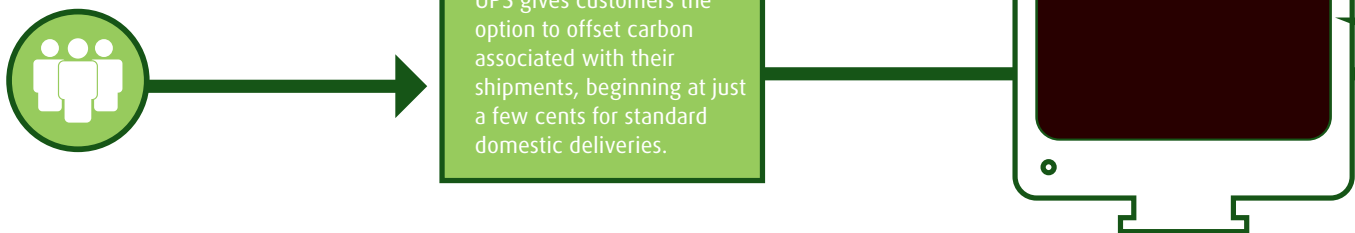


UPS has developed a proprietary methodology for measuring and allocating the CO₂e impact of specific customer logistics activities.

UPS captures comprehensive global carbon inventory data, including direct and indirect emissions (Scope 1, 2 and 3).

UPS correlates global CO₂e emissions data with logistics and transport data. The result is the ability to determine the typical carbon impact of a given shipment.

Customers



Customers care about the environmental impact of their logistics and shipping activities.

Customers choose the UPS carbon neutral service online or contractually. This triggers UPS to buy offsets on their behalf.



UPS's carbon calculation methodology and processes are certified by The CarbonNeutral Company and verified by Société Générale de Surveillance (SGS).

UPS purchases offsets on the customers' behalf.

Offset the climate impact of this shipment

Customers choose the UPS carbon neutral service.

UPS Purchases Carbon Offsets

A carbon offset is a certified financial instrument aimed at a reduction in greenhouse gas emissions. In purchasing carbon offsets we target Voluntary Carbon Standard (VCS), Climate Action Reserve (CAR) and Gold Standard certified offsets.

La Pradera landfill in Colombia is preventing methane gas from being released into the atmosphere.



Dalian landfill in China is capturing methane gas and using it to generate electricity.



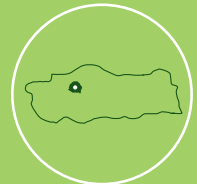
The Garcia River Forest project in California is restoring the carbon sequestration capabilities of a 24,000 acre (970 hectare) forest.



The Cholburi tapioca factory in Thailand is using anaerobic reactor technology to capture biogas from wastewater.



Mamak Landfill Waste Management Project in Ankara, Turkey, which is capturing methane gas and using it to generate electricity.



Stakeholder Statement

Jena Meredith, Director of Corporate Relations

The Conservation Fund

THE CONSERVATION FUND



At The Conservation Fund we believe that for environmental solutions to last they have to make economic sense. That is why we focus our efforts on market-based mechanisms that help protect land for local communities. From support of family farms to eco-tourism to working forests, our projects conserve the environment while stimulating the economy in vital ways. Funds we raise from private sector partners like UPS help power these important conservation programs that are driven by our vision for a sustainable future.

We have seen the definition of good conservation evolve over nearly three decades, and one of the most exciting areas of focus today is forest conservation—especially carbon finance. An example can be seen in our activities at the Garcia River Forest, a 24,000-acre working redwood forest in Northern California. Here, we trap carbon dioxide (CO₂) emissions from the trees we don't harvest; sales of carbon credits in turn help repay loans taken to acquire the property, upgrade roads, and restore stream conditions for rare and threatened species.

There's a lot to protect: in addition to a magnificent expanse of redwoods and Douglas fir, the Garcia River Forest is home to endangered Coho salmon and steelhead trout populations, the Northern spotted owl, and other rare plants and animals.

Thanks to the UPS carbon neutral program, the company's customers—from large businesses to individuals—are able to purchase carbon credits fulfilled by a select set of CO₂ offset projects, including the Garcia River Forest. We provide UPS's customers with a clear climate benefit—understanding how trees pull carbon dioxide out of the air is fairly simple to grasp—and UPS with the kind of third-party assurance it needs to keep its carbon neutral promise to customers.

Funds generated from carbon sales enable us to conserve, and then restore the most sensitive areas of the forest while ensuring the land will never be converted to non-forest uses like second home development. Every dollar really does make a difference, right down to contributions from individual customers.

We have seen the definition of good conservation evolve over nearly three decades, and one of the most exciting areas of focus today is forest conservation.

Ultimately, collaborations like these represent a successful new equation for market-based conservation. It's an equation that proves projects like the Garcia River Forest are safe investments that really resonate with customers, paving the way for The Conservation Fund's broader efforts. Most important, these collaborations allow us to continue creating lasting conservation solutions that benefit land, trees, air quality, and communities.

Jena Thompson Meredith

Director of Corporate Relations,
The Conservation Fund

EN1, EN2, EN26, EN27

Materials

Eco Responsible Packaging

Along with operating a responsible supply chain, we share related expertise with customers. One example is our UPS Package Design and Test Lab, which has extensive experience with packaging for all types of shipping. In 2010, we created a new service to make the Lab's expertise available to customers, so that they can demonstrate their concern for the environment in how they package their shipments for transportation. Customers first receive an expert assessment of their packaging processes in three areas: damage prevention, right-sizing, and materials content. We use rigorous proprietary methods and calculations for completing this assessment and giving the customer specific recommendations for meeting pre-set standards in each area.

One of the incentives for customers is the right to place an "Eco Responsible Packaging" logo on their boxes, shipping notifications, catalogs, and websites once their packaging meets the program's standards. The Eco Responsible Packaging Program has been verified by Société Générale de Surveillance (SGS), the same inspection, testing, and verification company that verifies the carbon offset projects we use for carbon neutral shipping. At the end of 2011, the Lab was preparing to approve its first Eco Responsible Package logo for UPS customer Safco Dental Supply Co., one of the leading suppliers of dental products in the United States.

Packaging Materials

UPS purchased a total of 43,024 U.S. tons of packaging and paper products globally in 2011. Of this total, 75 percent is recycled materials. We provide or resell the packaging material to customers for use with their shipments. It is worth noting, however, that most shipments that are transported by UPS do not use UPS provided packaging materials.

We mitigate the environmental aspects of UPS packaging material in a number of ways. For example, we help customers avoid the unnecessary use of packaging materials in the first place, by providing earth-friendly packaging that does the same job as bubble wrap and packing peanuts using a fraction of the material and energy. We also encourage customers to reuse our products. For example, UPS Reusable Express Envelopes come with a second strip of adhesive, making it easy to use them again. Reusable Express Envelopes are especially convenient for shippers in document-intensive industries, such as law and real estate, in which it is common to send out documents that must be signed and returned.

Recycled Envelopes

We are now in the process of converting the envelopes we use for certain customer communications to 100 percent recycled paper. We ran a pilot test for this conversion throughout 2011 and subsequently decided to implement it beginning in 2012. The recycled envelope will be used for customer billing documents, invoices, notifications and delivery confirmations in our U.S. Domestic Package segment and U.S. operations of our Supply Chain & Freight segment. These envelopes will be clearly labeled as employing recycled materials and degradable polystyrene window film and receiving certification from the Forestry Stewardship Council (FSC).

Transportation of Goods and Materials

Because we do not manufacture products, we do not generate significant impacts from transporting our own goods and materials, and our business is not one that requires transporting employees to job sites or activities. (Impacts related to transporting goods and materials for others are reported earlier in this chapter for our ground fleet and air fleet. Please see "[Greenhouse Gas Reduction Strategy](#)" and related sections of this chapter.) We transport packaging materials to customers and to The UPS Store locations via our own transportation network, using available capacity on vehicles that are already carrying shipments for customers, so there is virtually no additional transportation for this purpose. We also encourage customers to recycle their packaging materials, such as by reclaiming customers' used packaging peanuts at many The UPS Store® locations.

Water

In 2011, we began developing a global water strategy to address what we learned by using the Global Water Tool of the World Business Council for Sustainable Development (WBCSD) as stated in our 2010 Corporate Sustainability Report. The Global Water Tool:

- defines five categories of water risk, ranging from abundance to extreme scarcity of water for human use;
- applies these categories to the world's watersheds using water runoff and population data;
- enables organizations to determine the categories for their own facilities based on facility longitude and latitude; and
- enables categorical water risk projections for 2025 and 2050 based on estimates of population growth and long-term climate and precipitation trends.

One of our first findings from using the Global Water Tool is that over the next few decades, UPS (like many businesses around the world) will see water scarcity and water stress issues affecting a significantly higher number of locations where we have facilities. Gathering this intelligence well ahead of time is one of the reasons we began using the Global Water Tool. It enables us to anticipate which areas will be affected so that we can design strategies, implement them, and refine them before material risks arise. A chart showing the geographic distribution of water-sensitivity among UPS facilities in the United States and internationally is shown below.

Mapping of UPS Facilities Using the Global Water Tool of WBCSD

International



Source: Global Water Tool, World Business Council for Sustainable Development

United States



Source: Global Water Tool, World Business Council for Sustainable Development

Total Renewable Water Resources (TRWR) per person (m³/person/year) for 1,177 UPS international facilities: 2010 and 2025 (projected).

- Abundant >4000
- Sufficient 1701-4000
- Stressed 1001-1700
- Scarcity 500-1000
- Extreme Scarcity <500
- No Data

We mapped our facilities to water risk using the Global Water Tool of the World Business Council for Sustainable Development in 2010. Completing this mapping for UPS required significant effort because of the large number of our facilities around the world and because many of our United States facilities are clustered in metropolitan areas. We met the latter challenge by creating a representative set of 527 facility locations in the United States from our database of 1,348 actual facilities. We then mapped our domestic and international facilities as shown. The color key provided with these charts shows the levels of water scarcity as they are defined by the Food and Agriculture Organization of the United Nations (FAO) and the World Resources Institute (WRI), according to total renewable water resources per person (cubic meters per person per year).

In 2011, we gathered critically important information about our water usage: approximately 20 percent of our buildings in the United States account for 80 percent of our total water usage and water cost. In this sense, our water consumption mirrors our energy footprint. It is now clear that we will concentrate our water conservation and stewardship efforts on buildings within the top 20 percent for water usage and cost and those in locations where we have concerns about water risk or water scarcity. This will take place as part of the Global Water Stewardship program we developed in 2011.

Global Water Stewardship

As we have deepened our understanding and capabilities regarding water as a sustainability issue, we have come to realize that water may be a fundamentally local issue for our employees and customers but it can benefit from a global statement and commitment by UPS as a company. We have therefore established a Global Water Stewardship program on three pillars: Transparency, Consumption and Conservation, and Engagement and Awareness.

Transparency

The first pillar is transparency. We have learned from our comprehensive measurement and reporting capabilities for GHG emissions that transparency is a powerful tool for motivating people and organizations to change behavior. We are applying the same principle to our near-term and long-term water risk. This includes:

- Disclosing water data, risks and opportunities both internally and externally, to the best of our evolving ability.
- Collecting and consolidating objective water data, such as via utility invoices, which enables us to manage and act on stewardship priorities.
- Continuing to improve our data collection systems and their granularity, particularly internationally.
- Seeking the highest return from stewardship efforts in water-stressed areas.

Consumption and Conservation

Stewardship of consumption and conservation aims to increase our water efficiency the same way we continually increase the efficiency of our core logistics network: measurement, management and mitigation using technology and the application of continuous innovation in our tools, systems and methods. With regard to water, examples include:

- High-efficiency water fixtures.
- Improving processes and procedures at our facilities with high water use.
- Improving water efficiency within our information technology facilities

- Implementing best practices for storm water and wastewater discharge at our operations sites.

Engagement and Awareness

Stewardship of engagement and awareness aims to build our knowledge and capabilities through association with other organizations, and then translate those assets into greater water awareness for everyone at UPS. We have already established successful relationships with leading nongovernmental organizations such as World Resources Institute, and the World Business Council for Sustainable Development. We aim to engage with local communities, with our suppliers, and with our humanitarian relief partners as well, regarding water issues of importance to them. (For more information on humanitarian relief at UPS, see "Community" on [page 133](#).) We are implementing tools to increase employee awareness and involvement on water conservation techniques, both at work and outside of work.

Reducing Our Water Consumption

EN8, EN9, EN10, EN21

One of our big steps forward in 2011 was improving and expanding our collection and analysis of water data, particularly in our International segment where we now record data country by country rather than by region or business partner. This progress, as expected, showed us that collection of complete and accurate water data is not yet uniform on a geographic basis. It also showed that our global water consumption in 2010 was significantly lower than we reported in our previous Report, due to data entry errors and other issues outside the United States. The chart for Global Water Consumption, on the following page, shows the corrected values for 2010 of 1.56 billion gallons and 5.90 million cubic meters (originally stated as 1.73 billion gallons and 6.54 million cubic meters, respectively). Note that within these restatements, there was no change in the subtotal for our U.S. Domestic Package segment.

We were successful in reducing our total water consumption compared to the prior year in this segment. As in prior years, we minimized water use in many ways throughout our operations. We wash our vehicles only as needed to maintain appearance; we dry-wash our airplanes; and we use an environmentally friendly enzyme wash agent that reduces the need for rinse water. In addition, we continue to upgrade our facilities with low-flow water fixtures and design them into our new facilities. At some of our larger hub facilities, we reclaim water from vehicle washing activities. In 2011, when we assessed replacing a vehicle wash tunnel in Pittsburgh, PA, we evaluated the water stress and water scarcity of the surrounding community. Although our assessment showed no water scarcity in the near term, we proceeded to install a vehicle wash tunnel with a water reclamation system to minimize the impact of our operations on water availability and wastewater discharge to local municipal utilities.

The chart below shows our global water consumption by business segment over the past four years, as measured in millions of cubic meters (m³). This is the second year that we have disclosed these figures. As we continue to increase our ability to gather complete water data, we expect to find cases where a prior-year result was not as complete or accurate as our current-year data. We had two such cases this year, one each in our International segment and Supply Chain & Freight segment—the two newest and fastest-changing parts of our business. We therefore note that the apparent increase in water consumption in our International segment (from 0.53 million m³ in 2010 to 0.76 million m³ in 2011) is due primarily to gathering data from more countries than we did a year ago. In our Supply Chain & Freight segment, an error in data entry overstated actual consumption in 2010, and we have provided a corrected figure in this chart (from 2.02 million m³ to 1.38 million m³). In our U.S. domestic package segment (our largest segment), year after year we have continued a downward trend in reducing our consumption. For example, from 2007 through 2011, we cut normalized water consumption by 27 percent in this segment.

The KPI chart below charts water consumption in our U.S. Domestic Package segment related to our facilities and vehicle washing, expressed in cubic meters per 1,000 packages we delivered in each year. The chart shows that in 2011 we continued our multi-year trend of reducing normalized water consumption in this segment, through a combination of higher awareness among our employees, increased use of water-saving fixtures in our facilities, and continued use of water-conserving practices in our operations.

Global Water Consumption

	2008 (million m ³)	2009 (million m ³)	2010 (million m ³)	2011** (million m ³)	% Change 10/11
U.S. Domestic Package	4.36	3.90	3.99	3.93	-2%
International Package	—	—	0.53	0.76	43%
Supply Chain & Freight	0.68	0.62	1.38*	0.88	-36%
Total Water Consumption	5.04	4.52	5.90*	5.57	-6%

The apparent increase in water consumption in our International segment (from 0.53 million m³ in 2010 to 0.76 million m³ in 2011) is due primarily to gathering data from more countries than we did a year ago, so the figures from the two years are not comparable in terms of data set. In our Supply Chain & Freight segment, an error in data entry overstated actual consumption in 2010, and we have provided a corrected figure in this chart (1.38 million m³). In our U.S. Domestic Package segment, we continued to bring down consumption compared to the previous year. From 2007 through 2011, we have cut normalized water consumption by 27 percent in this segment.

* Is due to an error in data entry that overstated actual consumption in an international 2010 Supply Chain & Freight operation. Improvements in our data gathering techniques from more international countries contributed to this change.

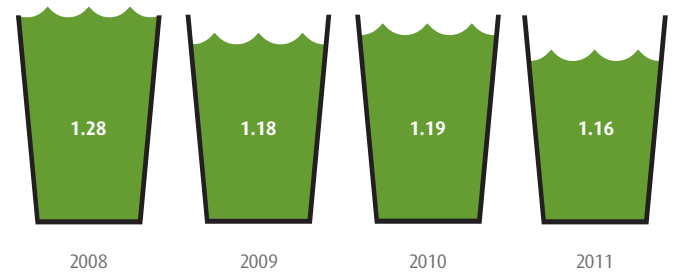
** For 2011, we have re-aligned our water consumption segments to our GHG reporting inventory. Going forward, our water consumption segments will be better aligned to our GHG reporting.

KPI Water Consumption—Normalized U.S. Domestic Package

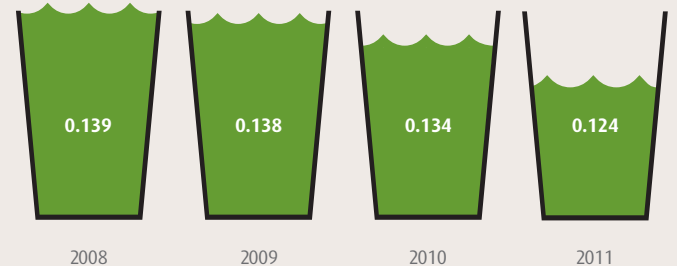
Our largest segment continues to increase its water efficiency.



Cubic Meters (m³) per 1,000 Packages



Cubic Meters (m³) per U.S. \$1,000 of Revenue



This chart shows that we continued our multi-year trend of reducing water consumption through employee engagement, conservation practices, and the installation of water-saving fixtures in our facilities.

Effluents and Waste

We do not currently report on our total water discharge by quality and destination, or the percentage that is recycled and reused, because we do not use or treat water in any type of manufacturing or processing activity. Sources of water discharge for UPS are generally limited to two types: low-impact domestic sewage common to any business, and vehicle washing. These types of discharge are typically handled routinely by municipal wastewater systems. We are not aware of any water sources that are significantly affected in the near term by the amount of water we draw from them. The source of UPS water withdrawals are typically from municipal water suppliers or other water utilities. However, because UPS operates 2,832 facilities around the world, not every water source is known. Water usage outside of the U.S. is primarily used for limited purposes, therefore UPS feels any sources not withdrawn from a municipal water supply are immaterial.

CDP Water Disclosure Global Report

The Carbon Disclosure Project is widely respected for its success in creating awareness among investors and companies regarding greenhouse gas emissions, so that market forces can help reduce them. UPS received the world's top score for carbon disclosure from CDP in 2011 (see [page 57](#)). CDP has developed a companion survey process for water, known as the CDP Water Disclosure Global Report. We intend to voluntarily submit a response for this water survey in 2012 to become the first in the sector of Air Freight and Logistics to do so. This disclosure provides a platform for companies to investigate risks arising from water scarcity, helps explore opportunities to increase efficiency, and allows transparency for a centralized communication to investors focusing specifically on water.

Because UPS is not involved in manufacturing, our management and mitigation of effluents and waste is limited primarily to solid waste from supplier packaging and pallets, office paper, e-waste, and batteries.

Solid Waste Management

EN22

At UPS, solid waste mainly takes the form of corrugated containers and wood pallets. The complete breakdown of solid waste by type across 1,453 facilities in the U.S. is shown in the table on [page 98](#). In 2011, these facilities cut their solid waste disposal by 2.7 percent compared to 2010, despite growth in U.S. Domestic Package and the United States operations of our Supply Chain & Freight segment. We also began programs at two facilities aimed at achieving a goal of zero waste going to landfill (see box on [page 97](#)).

Beginning in 2010, we gave many of our facilities more flexibility to invest in recycling programs and activities. A significantly higher percentage of facilities participated in 2011, helping increase the tonnage of solid waste recycled in the United States 2.1 percent in 2011 compared to 2010. This in turn saved UPS more than US\$1.6 million in disposal costs, which benefits all our sustainability stakeholders. Note that the percentage increase described above employs a higher figure for solid waste tonnage for 2010 (and thus a higher basis of comparison) than we presented in our previous Report. The updated figure resulted from improved data reporting by one of our vendors.

EPA has developed a Waste Reduction Model (WARM) to translate waste prevention and recycling data into equivalent greenhouse gas reductions. Using WARM, EPA calculated that UPS recycling efforts yielded a reduction of 168,130 metric tonnes of CO₂e in 2011. This amount is equivalent to removing 30,793 passenger vehicles from the road for a year. An improvement in data reporting by one of our vendors resulted in an increase to our 2010 solid waste disposal and recycling tonnage quantities that we reported in our previous report. These updated quantities are the basis for the 2011 comparisons stated above.

We continued to expand our e-waste recycling program in 2011. Since 2000, the program has recycled 32.1 million pounds of e-waste. E-waste includes desktop computers, laptops, servers, hard drives, cables, keyboards, telephones, cell phones, routers, switches, printers, and media such as CDs. We recycled approximately 40,200 pounds of batteries in 2011, a 4.1 percent increase over 2010. We also rolled out e-waste recycling programs internationally and plan to report on these successes in future reports.

In 2011, we increased the number of reusable sorting bags in our global operations by 1.3 million. To date, we have used more than 9.3 million reusable bags in the United States, Europe and Asia to bundle and sort small packages within our system. Each reusable bag eliminates the need for more than 600 plastic bags. Since we began the program in 1995, our reusable bags have prevented more than 67,664 tons of plastic from entering landfills.



UPS Begins “Zero Waste to Landfill” Program

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

We first identified two facilities that are good candidates for diverting at least 90 percent of their waste from landfill or incineration. (This is the generally recognized threshold for so-called “zero waste to landfill” goals or programs.) We intend to use these first two facilities as test beds for methods and procedures that we can apply throughout our operations. We then determined the necessary parameters for undertaking the waste transition at those facilities, established a set of transition processes, and began collecting baseline data. We will begin reporting on our progress with these programs in 2012.

Hazardous and Non-Hazardous Waste Management

EN22

The hazardous and non-hazardous wastes we manage come from aircraft, vehicle, and facility operations. These wastes typically include spent antifreeze, used oil, spent solvents, spill residues, paint wastes, used filters, and leaking packages. Approximately 95 percent of these wastes are non-hazardous wastes, and we recycle or dispose of them locally through numerous vendors in the United States that we determine are capable of handling them.

Approximately 5 percent qualify as hazardous wastes according to federal or state regulations. We manage these wastes through approved national vendors that have a documented track record of compliance with recognized industry disposal practices. These vendors are generally well established, observe industry standard safety procedures, and are regularly audited by UPS and or an outside auditor to ensure compliance with laws and regulations. Our contracts with national and local vendors specify that we receive a “cradle to grave” certification letter that specifies waste management and disposal methods.

In 2011, UPS operating facilities in the United States generated 1,977 tons of hazardous waste. During the year we also continued to push for more complete and accurate data from our hazardous waste disposal vendors and from within our own operations. This effort revealed that the 2010 figure for U.S. tonnage of hazardous waste was higher than we reported in our previous Report, due to adjusted data from one of our vendors. The total given above for 2011 is thus 3.6 percent lower than in 2010. As in 2010, we were able to use national vendors for 100 percent of our hazardous waste. Another notable improvement was an increase in the amount of hazardous waste that was recycled, which rose to 33 percent compared to 25 percent in 2010.

In 2010, we began a three-year campaign to expand our existing recycling programs to include all waste material from all our U.S. facilities (including the U.S. Domestic Package segment and the U.S. operations of our Supply Chain & Freight segment). In 2011, the campaign increased the total number of facilities participating to 919 (out of a total of 1,523). We expect to include most or all of the remaining facilities in 2012, the final full year of the campaign. We also intend to continue decreasing the amount of solid waste sent to landfill and increasing the amount of material we recycle.

We do not report on the weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention Annex I, II, III, and VIII, and the percentage of transported waste shipped internationally.

To better align with EN22 of GRI G3.1, we have begun to report our waste into four categories in lieu of three categories. We now include Recovery in addition to Incinerated, Landfilled, and Recycled ([see table](#) on the following page).

2011 Solid Waste Disposal & Recycling—U.S. Domestic Package, Supply Chain & Freight (in U.S. tons)

U.S. Domestic Package, Supply Chain & Freight	Incinerated	Landfilled	Recovery	Recycled	Total
1. Solid Waste Disposal Total		115,164			115,164
2. Solid Waste Recycling Total				53,425	53,425
Corrugated containers				23,679	
Pallets & wood waste				15,335	
Metals				6,114	
Mixed Recycling				7,882	
Office paper				290	
Plastics				125	
3. Hazardous Waste Total ¹	767	10	542	659	1,977
3a. National vendors ²	767	10	542	659	1,977
3b. Local vendors	-	-	-	-	-
4. Non-hazardous Waste Total ³	924	5,059	581	43,138	49,702
4a. National vendors subtotal	884	158	446	4,319	5,807
4a1. Auto, aircraft, facility maintenance, damaged packages, etc.	884	158	446	3,054	4,542
4a2. Electronic Waste	-	-	-	1,245	1,245
4a3. Batteries ⁴	-	-	-	20	20
4b. Local vendors ⁵ subtotal	40	4,901	135	38,819	43,895
Total Waste by Disposal Method	1,691	120,233	1,123	97,222	220,269

1. Automotive & aircraft fluids, parts washer solvents, damaged packages; identified as hazardous
2. Approved national vendor. Approval process consists of vendor site visits, audits and other internal controls
3. Automotive & aircraft fluids, parts washer solvents, damaged packages; identified as non-hazardous
4. Rechargeable and non-rechargeable batteries excluding automotive batteries
5. Locally approved vendor

UPS continues to increase the proportion of solid waste that is recycled, thus helping conserve natural resources and saving UPS more than US\$1.6 million in disposal costs in 2011. According to the U.S. EPA Waste Reduction Model (WARM), our recycling efforts yielded a reduction of 168,130 metric tonnes of CO₂e in 2011—equivalent to removing 30,793 passenger vehicles from the road for a year.

Compliance

As stated previously in "Policy and Responsibility," our policy is to comply with all applicable laws and regulations of all countries in which we operate, and in accordance with our company's high standards of business conduct. This is the policy stated in our Code of Business Conduct, which governs all employees and representatives of UPS. Important additional information, particularly regarding our strong internal audit capability, is provided in "Marketplace - Operating Responsibly" (pages 47-48).

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

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

- Properly storing, handling, and disposing of hazardous and other waste.
- Managing wastewater and storm water in compliance with applicable regulations.
- Monitoring and maintaining the integrity of underground storage tanks.
- Complying with laws regarding clean air.
- Protecting against and appropriately responding to spills and releases.
- Seeking ways to minimize waste and prevent pollution.

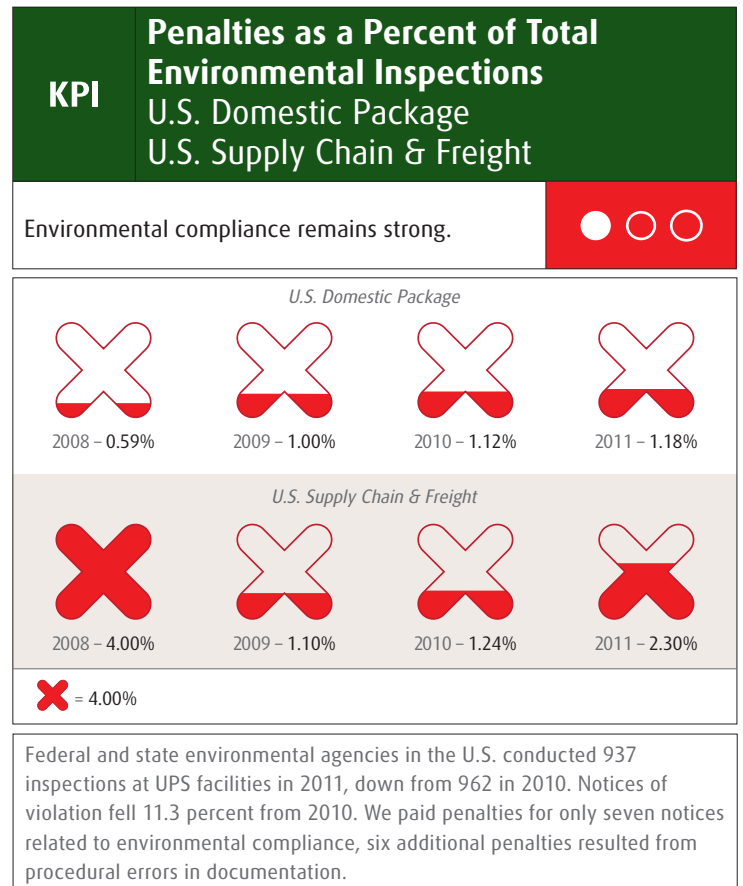
Agency Environmental Inspections

EN28

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

In 2011, federal and state environmental agencies in the United States conducted 937 environmental inspections at UPS facilities, 2.6 percent fewer than in 2010. Of the total environmental inspections, 763 were conducted in our U.S. Domestic Package segment, a 4.7 percent decline

from the previous year, and 174 were conducted in our Supply Chain & Freight segment, an 8 percent increase from the year prior. In all, the notices of violation that resulted from inspections decreased 11.3 percent year-over-year, which demonstrates that our environmental programs and processes continue to keep our environmental risks low. Of the 937 inspections, a total of 55 notices of violations resulted in 13 fines—9 in the U.S. Domestic Package segment and 4 in the Supply Chain & Freight segment—and totaled US\$11,780 in penalties. Of these 13 penalties, nearly half were due to procedural errors in documentation rather than with environmental compliance at the facility.

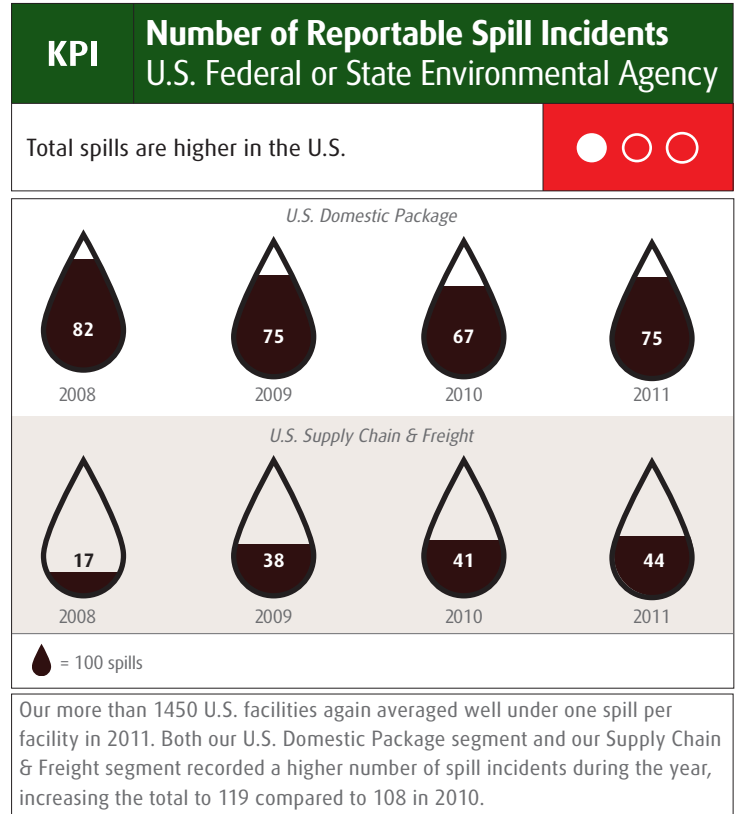


Incidental Spills

EN23

A reportable spill is a spill or release that companies in regulated industries are required to report to a federal or state regulatory agency. Spills include the leaking, pumping, pouring, emitting, emptying, discharging, or escaping of any hazardous substance, pollutant or contaminant from its container or process. A spill at UPS typically occurs on pavement or in a building, and requires a cleanup either by company personnel or an outside spill response contractor. A release is a spill that occurs into the environment, such as soil, water or air, of any hazardous substance, pollutant or contaminant. It typically requires cleanup by an outside response contractor. Reportable spills in the U.S. increased in 2011, to 119 incidents from 108 in 2010, including increases in both our segments operating in the U.S.

We can point to two positives during the year: only three spills due to human error (compared to five in 2010), and fewer spills due to accidents involving UPS vehicles (36 compared to 44 a year ago). In contrast, the number of spills increased from vehicle failures and damage to packages or freight. The total spill volume from reportable spills also rose year-over-year, to 5,499 gallons, due primarily to two incidents in freight operations. One involved 970 gallons of water-based ink, and the other involved 660 gallons of a sodium bromide chlorine solution. Outside the U.S., we conduct spill management programs as part of implementing our Global Environmental Standards Manual, which is modeled on the ISO 14001 environmental standard.



2011 Spill Incident Cause Analysis (Business Unit)

	Aircraft		GSE		Package/Freight			UPS Vehicle					UST/AST and/or Piping			Total
	Equipment Failure	Human Error	Equipment Failure	Storage Tank Overfill	Accident	Damaged Package/Freight	Improper Packaging	Accident	Equipment Failure	Human Error	Road Debris	Vehicle Overfill	Equipment Failure	Human Error	Storage Tank Overfill	
U.S. Package Operations	2	0	5	0	0	20	3	21	18	2	3	0	1	0	0	75
U.S. Supply Chain and Freight	0	0	0	0	3	8	1	15	7	1	8	0	0	0	1	44
Total	2	0	5	0	3	28	4	36	25	3	11	0	1	0	1	119

The increase in spills compared to 2010 is due primarily to two factors: a higher number related to damaged freight and packages, and a higher number related to equipment failures in vehicles or aircraft. These two factors more than offset a reduction in spills related to accidents involving UPS vehicles.

EN11, EN12, EN13, EN14, EN15

Biodiversity

Our management approach to biodiversity is to focus primarily on three activities:

- Supporting forestry preservation and reforestation efforts around the world.
- Locating and managing our facilities to minimize negative impacts on biodiversity.
- Working with governmental authorities to prevent inadvertent transportation of invasive species.

Forestry Initiative

Forests provide much of the world's most biodiverse habitat on land, making their protection a priority for maintaining biodiversity. Forests also provide the planet's most effective means for natural mitigation of carbon dioxide produced by fossil fuel emissions and by nature. A study published in the *Journal Science* in 2011 found that each year, forests and tropical regrowth forests sequester 4 billion tonnes of carbon (equivalent to approximately 15 billion tonnes of CO₂), or roughly half of the annual emissions from industry, transport, and other human activities. Trees also produce fossil fuel substitutes, such as biomass, and provide flood control and water regulation benefits.

In 2011, we launched a new environmental initiative with funding to help plant, protect, and preserve trees in urban and rural areas in the United States and around the world. UPS is collaborating with some of the world's leading environmental organizations to manage and preserve forests in the United States, Belgium, Canada, Brazil, and China (see box below). We are providing financial grants and employee volunteer support for specific projects.

Other Biodiversity Priorities

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

As a separate issue, we cooperate fully with governmental authorities in cases where our transportation network could inadvertently become the means for invasive species to spread. In 2011, UPS cooperated fully with the Animal and Plant Health Inspection Service (APHIS) of the United States Department of Agriculture to prevent the inadvertent spread of the Japanese beetle to the Western United States via air transport. The beetle is a highly destructive plant pest that attacks more than 300 different ornamental and agricultural plants including foliage, flowers, and fruits. It is already established in the Eastern United States and now represents a significant threat to nine large Western States. We ensure access for authorized inspectors to our air hubs, aircraft, and related facilities, and are following the guidelines provided by APHIS to U.S. domestic air transport operators.

Other than the three biodiversity priorities outlined above, UPS and its stakeholders do not consider biodiversity a material issue for the company or its sustainability (see "Materiality," page 25). This is due to a number of relevant factors, such as the location of most of our facilities in urban areas and the fact that we do not engage in agriculture, manufacture products, or extract and process raw materials. We therefore do not report on the location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas; habitats protected or restored; or the number of IUCN Red List species and national conservation list species with habitats in areas affected by our operations.



UPS International Forestry Initiative

To protect biodiversity and the natural carbon dioxide sequestration provided by forests, The UPS Foundation provided nearly US\$2 million in grants to support projects and organizations in five countries, including the following:

- Earth Day Network: a sustainable transportation/biodiesel environmental education project and four urban tree planting locations each in Europe's Landers Forest and in the U.S.
- The Nature Conservancy: reforestation projects in Brazil and China, and forest conservation in Canada.
- National Arbor Day Foundation: reforestation in Manitoba and the boreal forest of northern Alberta.
- The National Park Foundation: tree planting in a new national park in Pennsylvania.

Additional Contextual Information

Key Successes and Shortcomings

Organization

In 2011, we created the position of Chief Sustainability Officer at UPS and named Vice President Scott Wicker to the position. UPS is among the few S&P 500 companies in the United States with a Chief Sustainability Officer. (See his statement in "Profile," on page 21.) Mr. Wicker's operating responsibilities include directing UPS's engineering organization, which is responsible for many of the innovations and environmental initiatives described in this Report, particularly including our comprehensive capabilities for measuring and reporting on our environmental performance. During 2011, he led a number of new initiatives to embed sustainability into our global organization, such as by setting UPS's corporate sustainability priorities and creating an international group of executive-level managers to execute those priorities in our engineering, human resources, marketing, procurement, and communications functions, among others.

Another key organizational success in 2011 was completing a wide-ranging materiality process that takes into account the views of our many stakeholder groups in the marketplace, workplace, environmental arena, and community. This process resulted in the materiality matrix included in this Report (see "Profile," page 26). This matrix shows at a glance how a number of sustainability issues rank in importance to UPS and our stakeholders. Identifying and prioritizing these issues is an ongoing process that has multiple positive outcomes for UPS, some of which are evident in this Report. For example, we have expanded our reporting on our public policy advocacy efforts (see "Profile," page 35), and we have also included more perspectives from UPS executives and outside stakeholders. A list of these statements is provided on page 14 in the introduction to this Report.

Marketplace

In the marketplace, one of our most notable successes in 2011 was demonstrating our readiness as the Official Supporter for Logistics and Express Delivery for the Olympic and Paralympic Games to be held in London in July of 2012. We expanded our fleet of alternative, low-emission vehicles for the Games; successfully tested our logistics capabilities at warm-up events in key venues; and announced that we will offset the greenhouse gas (GHG) emissions associated with our extensive logistics and hospitality activities for the Games. More information on our participation in the Games is provided in "Marketplace" on page 51.

Environment

In the environmental arena, we played an important role in extending a strategic natural gas transportation corridor in the Western United States. This corridor is part of a national strategy to create a viable, economically competitive market for heavy-duty, low-emission natural gas vehicles

and their supporting infrastructure. More information on the corridor is included in "Environment" on page 84. We also continued to expand our capabilities for reducing greenhouse gas emissions in our transportation network, such as with dynamic routing of delivery vehicles to further minimize the miles they travel, the stops they make, and the emissions they generate when customer requirements or road conditions change.

Community

The people of UPS delivered one of our proudest accomplishments in 2011, by increasing their volunteer hours globally to 1.6 million from 1.2 million in the previous two years, a 33 percent increase. A significant part of this increase came from employees in our International segment. In part to recognize the contributions our people make to their communities, we commissioned a third-party study in 2011 to quantify the financial value of their donated time. More information on employee volunteerism at UPS appears in "Community" on page 134.

Key Performance Indicators

While we experienced few shortcomings in 2011, it is notable that we fell short of ambitious goals we set for some of the Key Performance Indicators (KPIs) we report on each year. Our KPIs appear in the Environment, Workplace, and Community chapters of this Report, with explanations regarding results; a list of all the KPIs appears in Appendix A on page 139. We will address these issues during 2012 and will provide an update in our next Corporate Sustainability Report.

Subsequent Events

The most important sustainability event for UPS subsequent to publication of this Report is the 2012 Olympic and Paralympic Games in London, which will begin in July of 2012. UPS is the Official Logistics and Express Delivery Supporter for the Games. This event will demonstrate our ability to handle the world's largest peace-time logistics event in an environmentally friendly manner. We comment briefly on the Games above in "Key Successes and Shortcomings" and provide more information in "Marketplace" on page 51.

Work in Progress

Our work in progress in 2012 includes two topics already mentioned above:

- preparing for and executing on our role in the summer Olympics.
- re-evaluating and revising our KPIs and goals.

Additional works in progress are noted in the paragraphs below.

Supply Chain Sustainability

In 2012, we are working with our Tier 1 and Tier 2 suppliers in a more systematic and extensive way to address sustainability opportunities and challenges in our global supply chain. We expect to report on all this work in progress in our next Corporate Sustainability Report. You may also find updated information on our website at www.sustainability.ups.com or www.pressroom.ups.com.

CDP Water Disclosure Report

The Carbon Disclosure Project is widely respected for its success in creating awareness among investors and companies regarding greenhouse gas emissions, so that market forces can help reduce them. UPS received the world's top score for carbon disclosure from CDP in 2011 (see [page 57](#)). CDP has developed a companion survey process for water, known as the Water Disclosure Report. We intend to compile a response for this water survey in 2012. This Report will contain more detailed water data than we have ever assembled, as we continue to improve our data collection processes. For example, we are collecting a growing body of data at the (local) district level, leveraging our internal accounting systems to make data gathering for utility usage a routine task around the world.

Risks and Opportunities

Enterprise Risk Management Program

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

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

- visit the UPS investor relations website to view our filings with the United States Securities and Exchange Commission (SEC), and
- visit the Carbon Disclosure Project (CDP) and view our submission to CDP.

Climate-Related Regulatory Risk

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

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

Without modifying the aforementioned risk analysis, it should be noted that UPS as a company is deeply engaged in carbon-related risk mitigation initiatives. We describe these initiatives in detail in "Greenhouse Gas Reduction Strategy," beginning on [page 68](#). This strategies focus on modal shifting, network efficiencies, air and ground fleet efficiencies, integration of technological and human factors, and more.

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

network. Over time, expenditures relating to regulatory changes in one country/region will be fully incorporated by the specific country/region.

EU Emissions Trading Scheme (EU ETS)

At present, UPS's planning horizon for the regulatory impact of EU ETS is short-term (1 to 5 years ahead) due to a number of factors that add considerable uncertainty to any long-term perspective. We have met our 2011 compliance obligations with respect to EU ETS. UPS has determined that EU ETS, in its current form, does not present a short-term substantive regulatory risk.

Recent events demonstrate the possible proliferation of other national EU ETS-like schemes. Notwithstanding legal challenges, it is anticipated that uncertainties posed by these potentially overlapping schemes add complexities and confusion to global aviation regulations and may slow the certainty of the EU ETS regulatory timeline. In the event that other national schemes do succeed under the premise of claiming exemption from EU ETS as an equivalent program, the financial implications could vary. The expected occurrence of such a scenario is outside UPS's planning timeframe of 1 to 5 years.

The financial impact of EU ETS will be distributed across the entire aviation industry, of which UPS is a typical member. This therefore mitigates the risk of competitive disadvantage to any one company.

Physical Risk

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

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

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

plans are reviewed quarterly at the corporate level and presented annually to our Board of Directors.

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

A number of natural disasters and related phenomenon in recent years demonstrate how our flexible response to this physical and financial risk plays out at UPS. The United States has experienced a number of severe weather events in each of the past six years, including Hurricane Katrina in 2005. In each case, we have been able to promptly restore our operations even when the affected region's industrial base was destroyed or damaged. We put in place contingency plans to bypass affected areas of the region as necessary, minimizing any impact to our network operations as a whole. The same was true in Fukushima, Japan in 2011, and in 2010 when the Eyjafjallajökull volcano on Iceland disrupted air transportation between North America and Europe.

It is also illustrative to note that because of the robustness and reliability of our network, UPS is regularly in position to provide disaster recovery and humanitarian aid services, as an in-kind provider of logistics and transportation services or as a philanthropic partner (and sometimes both). We played this role in New Orleans in 2005, in Haiti in 2010, in Japan and the United States in 2011, and in other locations around the world over more than a decade.

Boeing 747-400 ANC Flight Training Simulator
Anchorage, Alaska, United States



Workplace

This chapter concerns UPS's efforts to remain an employer of choice based on competitive wages and benefits, the quality of our diverse workplace, and the opportunities our company provides.



Workplace

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

Special Features in this Chapter

Infographic *Page 116*
Leadership Competencies at UPS

Stakeholder Statement *Page 118*
Marc Morial, President & CEO
 National Urban League

Stakeholder Statement *Page 121*
Capt. Bob Brown, UPS Pilot
 IPA

We expect our people to operate vehicles, equipment, and information technology tools on deadline; to be fully committed to safety; and to maintain a positive attitude toward customers and co-workers at all times. We also expect them to represent our brand, culture, and values, day in and day out, throughout the world. The way they respond to these challenges is the primary reason UPS has been included for more than 20 years on the FORTUNE Magazine list of “World’s Most Admired Companies.”

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



1.

Key Performance Indicators in this Chapter

KPI	Change from 2010	Result	Page
DART Injury Rate	Lower	Achieved 2011 Goal	113
Auto Accident Frequency	Lower	Achieved 2011 Goal	113
Full-Time Employee Retention Rate	Lower	Achieved 2011 Goal	120
Employer of Choice Index	Higher	Below 2011 Goal	120

Workplace Recognition in 2011



30 Champions of Diversity
Diversity Plus Magazine



2011 Employer of Choice Award
Minority Corporate Counsel Association



Image Captions

- 1. UPS Driver, San Juan, Puerto Rico
- 2. Founders Day, Nebraska, U.S.

Management Approach

The UPS workplace is unusual in many ways. As is mentioned earlier, less than 20 percent of our employees work in a typical office building. While most of our office workers are managers, more than 79 percent of our management started in non-management positions and have first-hand experience of the UPS workplace from the bottom up. This generates one of the most important aspects of our corporate culture: an egalitarian, can-do attitude at all levels of the organization. So our management approach in the workplace begins with preserving and reinforcing this attitude, even as we expand internationally at a rapid rate.

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

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

Policy & Responsibility

Use of Metrics and KPIs

We use metrics and key performance indicators (KPIs) throughout the workplace, where they can give management a clearer view of trends and help us spot opportunities to execute on the management approach outlined earlier. In this Report we include four workplace KPIs, each with 2011 results and comparisons with prior year. We have changed one KPI from DART Injury Rate to Lost Time Injury to reflect international terminology and definitions (versus DART, which is a U.S.-based term). These KPIs are listed in the table on [page 108](#) and in Appendix A on [page 139](#). These KPIs have appeared in our past Reports, using the same terms and definitions.

Responsibility

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

Training and Awareness

More than 79 percent of UPS's management team began their careers in non-management jobs with the company and most of our senior managers have worked in multiple organizations within the company. This includes members of our Management Committee, the most senior management body at UPS. To reach the Management Committee, an employee must work at multiple levels in multiple departments and facilities throughout the company. Our company leaders are thus aware of the full range of issues related to fair employment and human rights on the job. We supplement this experience with systematic training of our management employees, and we provide all employees worldwide with a 24-hour "Help Line" that enables them to anonymously report their concerns about on-the-job issues.

Monitoring and Follow-Up

We conduct regular internal monitoring of how our employment policies and practices are followed around the world. One of our primary monitoring programs is our employee opinion survey (EOS), which is a survey of employees at all levels and locations of the company. Most business units gathered their survey results from a representative subset of their employees. The EOS is reported back to all employees and also to management, up to and including the UPS Management Committee. We use a subset of the EOS for our annual KPI on employee engagement (see "Employee Satisfaction" on [page 119](#)).

Numerous outside stakeholder groups monitor UPS with regard to workplace issues. These include industry publications, general interest publications, professional groups and workplace interest groups. We take their views and reports seriously. When outside stakeholders raise issues about our workplace practices or performance, we engage with them directly to understand how we can best address the issues. In most years, UPS wins positive recognition from outside observers regarding equal opportunity, diversity, human rights, and other employment issues. In 2011, for example, we were listed among the "30 Champions of Diversity" by Diversity Plus Magazine and received an Employer of Choice Award from the Minority Corporate Counsel Association.

Additional Information

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

LT16, LT17

Our approach to income security and employment continuity is to hire good people and keep them employed as long as they want to work for UPS. Therefore, we have few workers who are employed or under temporary contract on a repeated, non-continuous basis. During economic downturns, we employ numerous measures to ensure income security and employment continuity for all our people. These include freezing new hiring, transferring employees into equivalent positions in other departments, and training them for new positions either in their own department or a new department.

Goals and Performance

Key Performance Indicators

We report four KPIs for our workplace, and each of them includes a goal for 2011. We achieved the goals for both of our safety KPIs, including DART Injury Rate and Auto Accident Frequency. Results for both these KPIs have improved every year for more than five consecutive years. The relevant charts appear on [page 113](#).

We achieved one of our two employee satisfaction goals. The 2011 goal for our Full-Time Employee Retention Rate KPI was 85 percent or higher, and our 2011 result was 90.1 percent. However, we were not fully satisfied with this result because Full-Time Employee Retention Rate decreased from 91.9 percent in 2010. This may be due in part to an improved employment environment in the U.S. in 2011 compared to the prior year. In an improved employment environment, workers generally have more options for changing their employer. Furthermore, we observed strong hiring in the transportation and logistics sector in 2011 for drivers and mechanics. The relevant chart for this KPI appears on [page 120](#).

The 2011 goal for our Employer of Choice Index was 70 percent or higher. Our 2011 result improved to 68 percent from 66 percent in 2010, but came in below the goal. The relevant chart appears on [page 120](#). More information on employee satisfaction appears on [page 119](#).

Our senior management and our sustainability bodies (described in “Profile” on [page 31](#)) assess and discuss all KPI results and form strategies for addressing concerns.

Key Successes

Our key workplace successes in 2011 include achieving the three KPI goals discussed earlier. We also:

- Hired 55,362 new employees around the world, and an additional 71,639 seasonal workers.
- Successfully completed contract negotiations with a number of collective bargain organizations including UPS aircraft mechanics represented by the International Brotherhood of Teamsters (see [page 120](#)).
- Inducted 1,235 more drivers into our “Circle of Honor,” reserved for drivers who have reached 25 years on the job without an avoidable accident (see [page 112](#)).
- Issued our Code of Business Conduct in its 16th workplace language (Vietnamese).

Risks and Opportunities

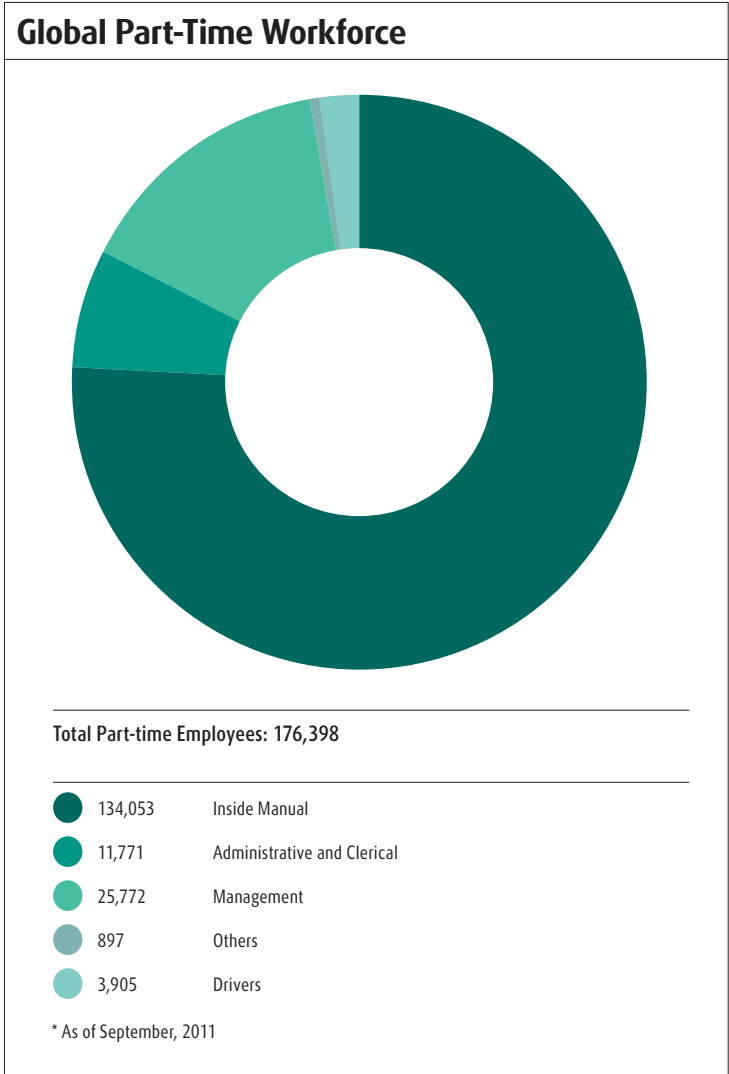
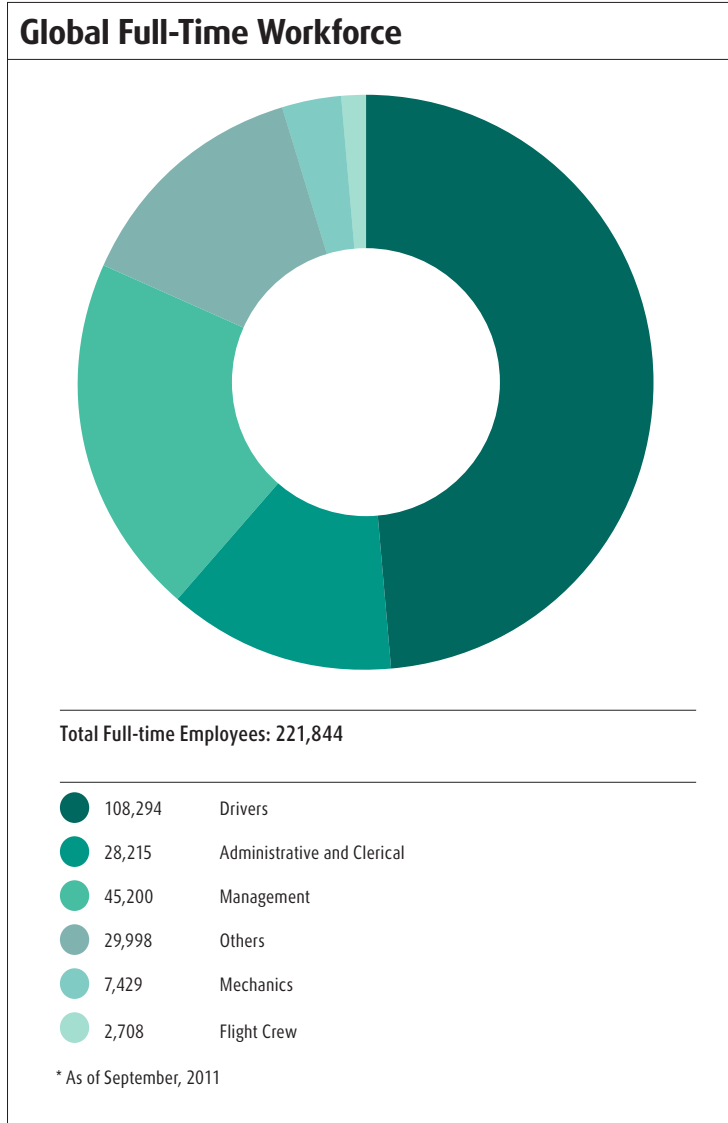
A full discussion of risk factors related to the workplace is included in our Annual Report, which is available online at www.ups.com/investors. The main opportunities in the workplace at UPS are discussed in this Report, including the formation of a Global Learning Network to increase the effectiveness of our learning and development organization and its systems, methods, and practices (see [page 115](#)).

Employment

LA1, LA2, LA3

UPS ended 2011 with 398,242 permanent employees (not including 71,639 seasonal hires), including 77,706 employed outside the U.S. and 117,399 who are shareholders. We hired 55,362 permanent new employees in 2011. Additionally, our workforce is broken down by gender as:

- 20.3 percent total female.
- More than 70,000 full and part-time management, of which 29.1 percent are female.
- More than 327,000 full and part-time non-management, of which 18.5 percent are female.



Occupational Health and Safety

Maintaining a Safety Culture Company-Wide

LA6, LT7, LT9, LT12

Safety is our highest priority on the job. We cannot keep our commitments to customers if we operate unsafely, and we cannot maintain our strong reputation as an employer if we operate an unsafe workplace. As such, maintaining a safety culture company-wide is a core issue of sustainability for UPS. More than 450 employees at UPS work full-time to protect the health and safety of UPS employees. This is in addition to the health and safety committees as part of the Comprehensive Health and Safety Process (CHSP) described below. Our primary safety strategies include:

- Conducting regular, comprehensive training for employees working with vehicles, with airplanes, or in freight handling roles. We spent US\$118 million (about 30 percent of our training budget) on teaching more than 90 formal safety training courses in 2011. Our employees devoted approximately 3.8 million hours to safety training during the year.
- Continually increasing the safety of our facilities and equipment. Many of the ideas for these improvements and upgrades come from our Comprehensive Health and Safety Process (CHSP) members. There are more than 3,600 CHSP committees in UPS facilities worldwide. The committees are run primarily by hourly employees with management support. The CHSP committee framework is designed to allow for participation of approximately 10 percent of the workforce, who represent all UPS workers in their operations. It is ultimately up to every employee to help maintain a safe workplace.
- Stringent policies governing working hours and rest hours, rest facilities, and leave for those driving and operating our vehicles. These policies recognize the differences between the safety requirements for delivery drivers, long-haul drivers of freight vehicles, and airline pilots. Our policies conform to laws and regulations in the countries, states, and other political entities where we operate, and they are often included in our contracts with collective bargaining organizations. We regularly audit conformance to these policies and review their continued effectiveness.
- Recognizing outstanding safety performers. In 2011, we honored 1,235 drivers with entry into the UPS "Circle of Honor" in recognition of driving 25 years without an avoidable accident. This group included 36 women. The Circle of Honor now includes 5,843 drivers who have achieved this remarkable record, including 115 women.

Cockpit Safety

One of the important safety developments of 2011 was the progress made by the Joint UPS-IPA Safety Task Force. The Task Force includes three members from the Independent Pilots Association (IPA), which represents most of the pilots flying for UPS Airlines, and three members from UPS management. Together they have been working with the Federal Aviation Administration, Boeing, Airbus, safety vendors, and other industry experts, examining more than 40 options for enhancing safety in airplane cockpits. A stakeholder perspective by Task Force member Capt. Bob Brown appears on [page 121](#).

We began implementing Task Force recommendations in 2011. In April, UPS was the first international air carrier to adopt a system that maintains a pilot's critical field of vision in the event of smoke in the cockpit by displacing the smoke with a transparent inflatable vision unit. In December, we began installing new full-face oxygen masks on our MD-11 aircraft. The masks replace a separate mask-and-smoke goggle combination that took about 20 seconds for pilots to put on. The new masks can be put on in just a few seconds and offer a significant safety advantage in an emergency. We were ready to install the masks earlier in the year, but had to wait for the manufacturer to produce a sufficient quantity. Full installation of both the new safety systems on our aircraft will take about two years to complete.

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

Metrics and KPIs

As noted earlier, we use many metrics to measure our safety performance. Among them are two KPIs that we disclose annually in this Report. The first is DART injury rate, which measures days away from work, restricted in activity, or transferred to another job due to injury. In 2007 we set a goal for 2011 of 3.9 DART injuries per 200,000 worker hours. In 2011, we achieved this goal with a DART injury rate of 3.84—dropping below 4 for the first time.

The second safety KPI is Auto Accident Frequency. We have made significant progress in improving safe driving around the world, including improvements year-over-year for the past 5 years, and exceeded our global goal for 2011. Results for this KPI appear on [page 113](#).

We deeply regret the fatal auto accidents that claimed the lives of four UPS employees in 2011. Whenever an accident occurs, we invest significant management attention in investigating the cause and improving our procedures and safety training if possible.

KPI DART Injury Rate per 200,000 Hours Global Enterprise

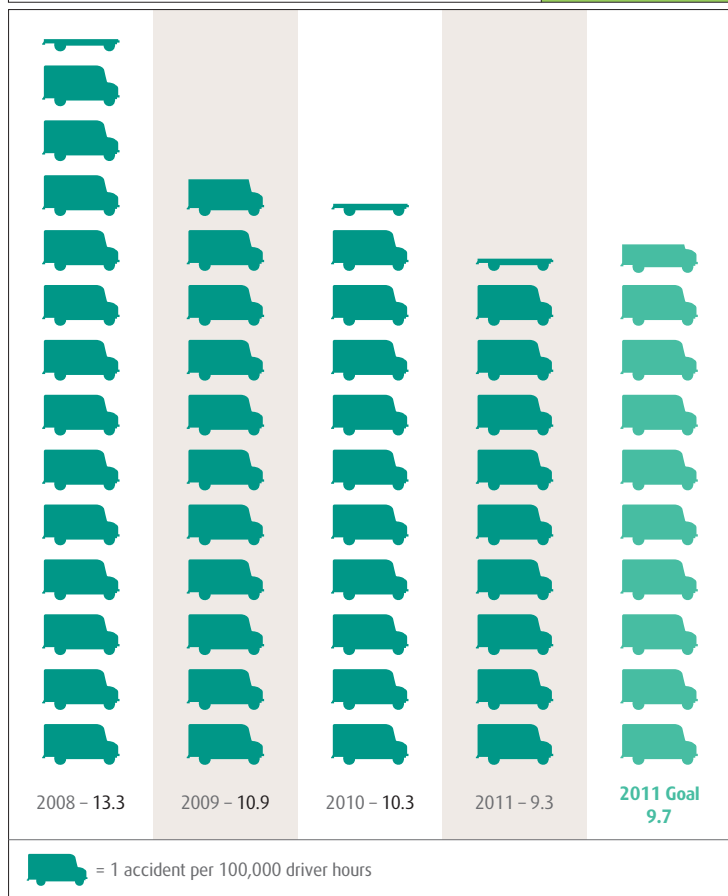
Goal achieved, as DART rate drops below 4. ● ● ●



DART injury rate is a designation for on-the-job injuries originally developed in the United States. We have used it to measure injuries globally. "DART" stands for days away from work, restricted in activity, or transferred to another job due to injury. We have focused for many years on reducing injuries throughout our operations with a combination of training, adjustments in facilities and equipment, and ideas generated by our Comprehensive Health and Safety Process (CHSP) committees around the world. As a result, the DART injury rate has fallen every year since 2007 and we achieved our goal for 2011.

KPI Auto Accident Frequency Global Enterprise

Goal achieved, with accident frequency well below target. ● ● ●



This KPI measures vehicular accidents (regardless of severity) per 100,000 driver hours. Safe driving is a high priority at UPS, and our results over the past five years show that we have consistently reduced the Auto Accident Frequency with focused training that combines on-job performance data and proven safety techniques. We clearly exceeded our goal for 2011, and intend to continue improving our auto accident safety performance in the years ahead.

Compensation and Ownership

Programs for Whole Person Health

LA8, LA15, LT11

In 2011, UPS provided health benefits for more than 725,000 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's award-winning benefits:

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

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

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

- Our "health coaches" program gives eligible UPS employees access to registered nurses who provide confidential assistance in understanding healthcare issues and navigating the healthcare system. Health coaches helped more than 25,000 UPS employees and family members in 2011.
- Our "Wellness Champions" program supports members of the CHSP committees mentioned earlier. The program provides CHSP committee members with tools and resources that inform co-workers about health risks and encourage them to adopt healthy lifestyles to prevent or offset their health risks.

Our Employee Assistance Program (EAP) provides practical information, referrals to trained professionals, and support for a wide-range of work/life issues from financial concerns and childcare to substance abuse and bereavement. Since its inception in 2006, 492,916 UPS employees and/or household members have benefited from the EAP.

UPS offers highly competitive hourly wages, salaries, and total compensation plans to both full-time and part-time employees. We believe that our employees are among the best paid in the industry. We also believe that long-term ownership of our company by employees is an important contributor to our future success. Sharing in the rewards and risks of ownership promotes the commitment of our people, full-time and part-time, management and non-management, union and union free, which is critical to our ability to enable global commerce. Our employees began sharing the benefits of stock ownership in the 1920s. UPS became a public company in 1999. Employees can purchase stock through the Discounted Employee Stock Purchase Program and their 401(k) plan. In 2011, approximately 117,399 employees were shareholders.

Training, Education, and Development

Training

LA10

UPS conducts one of the private sector's most extensive employee training programs and also provides substantial support for employee education. In 2011, we spent US\$394 million on training and education. Our non-management employees received an average of 12.6 hours of training in 2011; management employees received an average of 28.3 hours of training. We spend about 30 percent of our training budget on safety courses.

UPS provides skills and leadership training for the continued development of its management employees using both internal and external resources. Examples of internal programs include "UPS Management Onboarding: Our Culture, Our Heritage, Our Vision," "Develop Yourself, Deliver Results," and "Manage Your Team with Integrity and Excellence." The UPS Community Internship Program also provides development for upper management. External programs for continued development include access to online management and job-specific courses delivered via the UPS Learning Center, our UPS Education Assistance Program, and our support for professional certifications and attendance at seminars and conferences. The UPS Learning Center and the new online UPS University offer thousands of online learning resources. This expansion was part of a broader strategy to make more education available in a more cost-effective manner, particularly compared to classroom learning that is less accessible to most employees.

Education

Tuition assistance is available to all full-time employees and to a substantial number of part-time employees. In particular, college students are an important source of part-time workers for UPS. They constituted more than 54 percent of our newly hired part-time employees in 2011. To help them balance work and school, we offer "Earn and Learn" programs in 215 locations in the United States. The program provides tuition assistance while students work part-time at UPS. In 2011, we provided US\$17.5 million in tuition support to approximately 14,764 students.

Development

LA11, LA12

Career Counseling

We encourage all management employees to continue their career development and job-related education. Some of the primary venues for guiding this process is the annual Quality Performance Review (QPR) process, Career Development process, and the Administrative & Technical Review (ATPA). The ATPA is used to clarify job expectations

of how performance will be measured, recognize accomplishments, enhance communications, measure performance, and identify areas for continued development. Approximately 94.9 percent of female management employees and 95.7 percent of male managers received performance reviews for 2011. Additionally, 60.1 percent of U.S. administrative/technical full-time personnel received performance reviews. QPR discussions include assessment of leadership skills, identification of interests and aspirations, 360-degree feedback, and plans for the future. These discussions determine strengths and opportunities, and encourage individuals to focus on career goals that keep them mobile within the company. The employee receiving the counseling takes away a learning and development plan for the year ahead. We teach UPS managers how to conduct career counseling for their employees as part of our leadership training.

Promotion from Within

One of our most important development opportunities is promotion from within. This process gives people the invaluable experience of holding multiple positions in multiple areas, which is one of the primary development paths for future leaders. For more information, see [page 119](#).

Global Learning Network

UPS's approach to learning and development has traditionally been directly connected to business needs. We supported many different training groups in our various business functions to keep learning close to the people working in those areas. In 2011, we took a fresh, in-depth look at how our learning teams were organized, and we examined the kinds of training they regularly delivered. We then convened our learning and development professionals to collaboratively craft a Global Learning Network (GLN). We designed the GLN to increase consistency in learning and development across the company. It enables all training group leaders at UPS to come together in a Learning Leaders Collaboration (LLC) where they can:

- Communicate the value that learning contributes to their organization.
- Systematically address gaps and enhance strengths.
- Integrate a global point of view in all training.
- Make consistent training available globally.

More information on the GLN and our approach to learning and development is depicted on the following page.



Leadership Competencies at the Core

UPS Managers receive career-long training and learning opportunities to improve their leadership and job skills.

● Performance Reviews

Both formal and informal feedback is provided to managers through confidential online assessment tools, manager feedback, and mentoring. Annual reviews include performance based on job-specific goals and leadership competencies.

● Career Development

UPS managers annually discuss their career goals and aspirations with their manager. Together, they develop a roadmap for the skills, training, and attributes required to move ahead or in a new direction.

● Training

UPS managers are encouraged to pursue knowledge independently and with their manager. The UPS Learning Center and the new online UPS University offer courses, a library of more than 23,000 books, videos, training classes and business simulations in more than 20 languages.



LA13

Diversity and Equal Opportunity

Diversity is an integral part of our global strategy, just as it is part of the social fabric for a company operating in more than 220 countries and territories. In 2011, 26.6 percent of our management came from diverse backgrounds. Within the U.S., our workforce was 21.1 percent African-American, 12.2 percent Hispanic, 2.6 percent Asian-American, and 0.6 percent Native American or other. We understand that diversity encompasses more than race and gender. It extends to the full myriad of issues ranging from ethnicity to sexual orientation to physical ability to gender identity. Inclusiveness, respect, and cooperation are core values that help drive the way we do business with our customers and suppliers—and strengthen our bonds with a multi-cultural community of friends and neighbors.

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

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

Diverse Leadership Development

Entry-level positions in our business, such as for drivers and package loaders, have traditionally attracted more men than women. Coupled with our focus on promoting from within, this has created a particular need for UPS to develop and retain women for supervisory and management positions. In 2011, 29.1 percent of our management were women. To encourage our existing women in management to remain with the company and develop their careers within UPS, we continue to expand our Women's Leadership Development program.

The main activities of the program include:

- Creating meaningful dialogues between women and men regarding workplace issues.
- Opening avenues for women to build their leadership skills through community service.

- Providing opportunities for women to expand and strengthen their career networks.

In 2011, we expanded the program to Australia and Malaysia, which joins Singapore within the Asia Pacific Region. We continue to develop and expand Women's Leadership Development activities in the regions and countries where they have already begun, including the U.S. and Europe.

In 2010, we also launched a pilot test of a new Diversity Leadership Development program for Asians, Hispanics, and African Americans. We conducted a successful test of the new program in 13 districts in 2011, and plan to expand it more widely in coming years.

Stakeholder Statement

Marc Morial, President & CEO

National Urban League



At the heart of the National Urban League's endeavors is a focus on supporting individuals to create a richer future for themselves and for their communities. I AM EMPOWERED, our ongoing centennial celebration, kicked off in 2010 and emphasizes four key elements we believe underpin the health of our communities and our nation as a whole—education, employment, housing, and healthcare. Our linkage with corporate partners like UPS is essential to maximizing the impact of these diversity programs across our robust network of 97 affiliate chapters serving some 2.6 million people.

The year 2012 marks 50 years of collaboration between the National Urban League and UPS, making this one of our richest partnerships. For its support of our myriad diversity initiatives over the years, we appointed UPS to our Million Dollar Hall of Fame, and later to our Five Million Dollar Hall of Fame. Beyond monetary contributions, UPS employees sit on our board, sharing expertise and business acumen. The relationship of mutual respect and trust was forged in 1957, when the NUL encouraged UPS to hire its first African American employee. This man, Ken Jarvis, rose in the organization's ranks to become UPS' vice president of human resources.

Then and now, we believe future business leaders are cultivated through support and education. Our Black Executive Exchange Program (BEEP) enlists African American executives to help provide African American college students with role models and perspectives about the world of business. UPS has been a leader and a driver of this 40-year-old program, with the largest number of executives serving as BEEPers, or visiting professors at college campuses.

Beyond education, the NUL fosters small business development—a cornerstone of healthy communities—through our Entrepreneurship Centers. A grant from UPS

supports four of these centers, which help minority entrepreneurs learn vital management and financial skills. For example, funds from UPS helped make possible support for the new business Eatible Delights, a Philadelphia-based catering company that benefited from the services, advice, and management consulting our local center provides.

2012 marks 50 years of collaboration between the National Urban League and UPS, making this one of our richest partnerships.

For all of these reasons, I think diversity is in UPS' DNA, in the vision of its CEO and leadership teams. Together with UPS and other like-minded partners, the NUL will continue to evolve towards achieving I AM EMPOWERED goals—and a more sustainable future for all American communities.

Marc Morial

President & CEO, National Urban League

LA14

Equal Remuneration for Women and Men

Approximately 75 percent of all UPS workers in the U.S., including both management and non-management, are represented by collective bargaining organizations (see [page 120](#)). Many of our workers in other countries are also represented by collective bargaining organizations. Unions have historically ensured broad equality in remuneration for union workers, by both ethnicity and gender. UPS currently does not report further on the ratio of basic salary and remuneration of women to men by employee category, or by significant locations of operation. UPS has engaged a third-party consultant to assist with periodic internal analysis to ensure that compensation remains equitable regardless of gender.

Labor/Management Relations

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

Promotion from Within

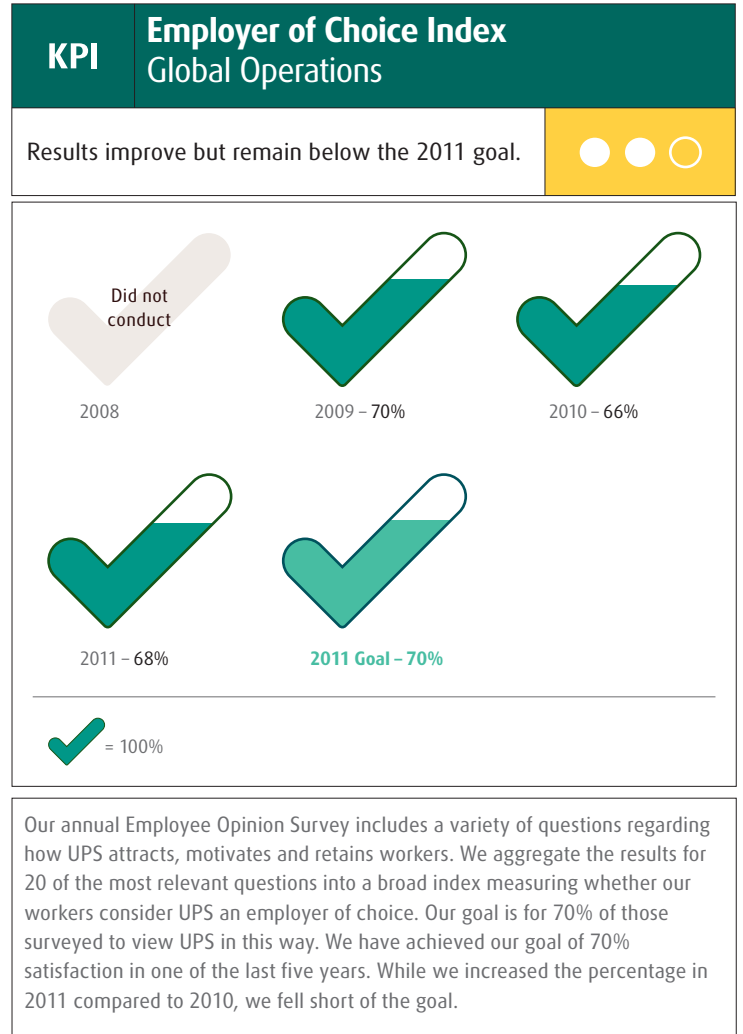
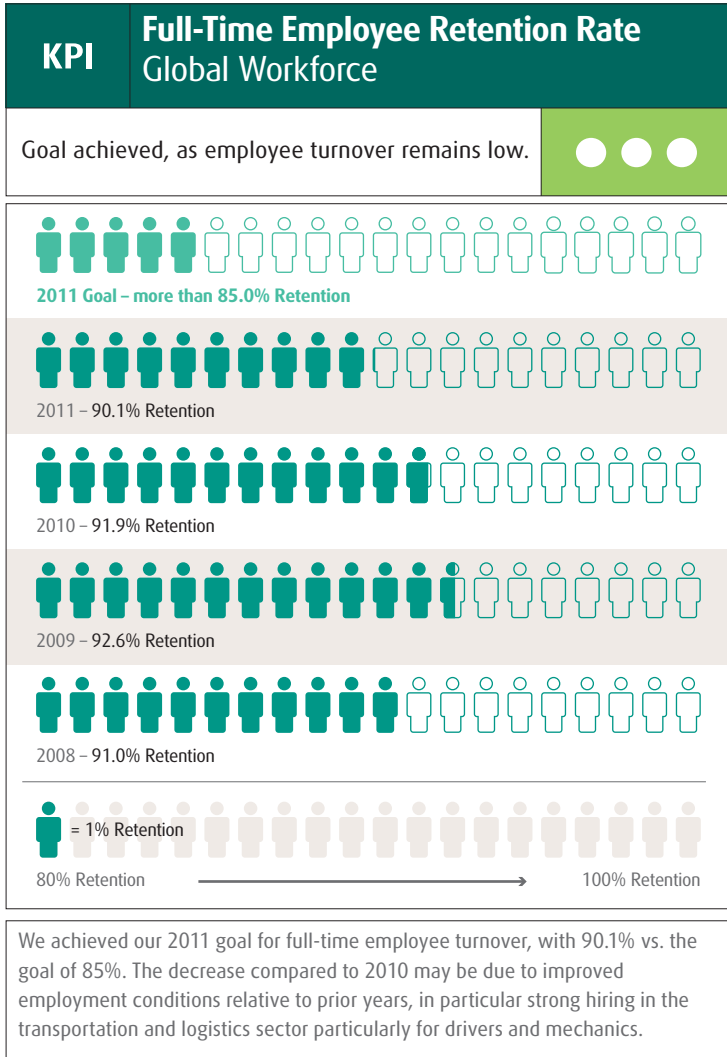
UPS has promoted from within for generations. This includes part-time workers moving into full-time positions; non-management employees moving into management positions; and supervisors and managers moving into positions of greater responsibility. Approximately 59.9 percent of our current full-time drivers were once part-time employees, and more than 79 percent of our full-time managers (including most vice presidents) were once non-management employees. Our part-time workforce totaled approximately 176,398 people. During the year, 3,137 part-time employees advanced to full-time work. At the end of the year, our management ranks included 1,883 employees who moved into management for the first time.

We also strive to recruit, train, and develop people from the local community, both in the U.S. and in our international locations. Among full-time management employees, less than half of one percent come from outside the country where they worked in 2011 (220 expatriates out of 45,200 full-time managers). The majority of our senior international managers are working for UPS in their home countries. Available positions are posted on www.upsjobs.com, and we also promote from within as described earlier.

Employee Satisfaction

We devote two KPIs to measurements of employee satisfaction. The first KPI, Full-Time Employee Retention Rate, is charted on the following page. Our 2011 goal for this KPI was 85 percent in 2011, and we exceeded the goal with a rate of 90.1 percent. The decrease compared to 91.9 percent in 2010 may be due in part to an improved employment environment in the U.S. in 2011 compared to the prior year. In such an environment, workers generally have more options for changing their employer.

The data for our second employee engagement KPI, shown on the following page, measures the percentage of employees who consider UPS an employer of choice. The data used for the KPI are taken from our annual Employee Opinion Survey (see "Monitoring and Follow-Up" on [page 128](#)). The data from 2011 indicated that 68 percent of UPS employees consider the company an employer of choice. This is below our 2011 goal of 70 percent, but it is an improvement over the 66 percent in 2010.



Working Relationships with Organized Labor

LA4, LA5, LA9

We employed 245,000 Teamsters in 2011, more than any other company in the world. The Independent Pilots Association represented 2,684 pilots of UPS Airlines. In all, approximately 75 percent of UPS employees in the U.S. were covered by collective bargaining agreements in 2011.

We maintain open communication with all our unions, and bargain in good faith on all matters that involve them. All of our collective bargaining agreements contain provisions that address the health and safety of our union employees. These agreements include, but are not limited to, the following topics: health and safety committees, hazardous

materials handling, vehicle and personal safety equipment, accidents and reports, and others. UPS collective bargaining agreements also include minimum notice periods regarding operational changes, which vary by agreement.

During 2011, we engaged in a successful process with the IPA via a Joint UPS-IPA Safety Task Force. The work of the Task Force, which focused on safety for our pilots, is described earlier in "Cockpit Safety" on page 112. We also engaged in contract negotiations with a number of unions and concluded negotiations successfully and on schedule. We believe that our long history of stable and successful union relationships is due to the high percentage of our management (79 percent in 2011) who started in non-management positions covered by collective bargaining agreements.

Stakeholder Statement

Bob Brown, UPS Pilot

Independent Pilots Association,
UPS/IPA Safety Task Force

Thinking about safety is almost as natural to a pilot as breathing. And even though UPS Airlines has a strong record on safety, we've placed an even greater emphasis on this area since our 2010 accident in Dubai.

In the wake of that tragedy—in which two UPS pilots lost their lives heroically bringing a burning plane to the ground while minimizing loss of life—the Independent Pilots Association and UPS formed a joint Safety Task Force. I am a member of this six-person team. With the reminder of the accident close at hand, we take a proactive stance on aviation safety. Our view is that we must be ever-vigilant when it comes to safety.

As partners, union members and management benefit from a strong working relationship built on good communication, honesty, and trust.

In particular, we're taking on the issue of smoke in the cockpit. It's what obscured our pilots' vision and grew so intense that they could not see their instruments. As a direct response to this threat, the Safety Task Force recommended that UPS flights be equipped with enhanced technology for combating smoke in the cockpit. We are the first global airline to install this equipment.

We also looked at what other industries are doing in the area of safety, because we wanted to grow outside of what we've always done. It's resulted in a reformatting of all of

our pilot safety checklists, improving pilots' ability to respond during critical situations. We have enhanced in-flight fire emergency-simulations, resulting in greater confidence and preparedness of our pilots. While these initial measures are helpful, our ultimate aim is better detection and suppression of in-flight fire. We work with our engineers, regulators and industry safety experts towards accomplishing this long-term goal, and we're taking it very seriously.

One of the phrases we coined many years ago was "Working Together for Safety We All Benefit." As partners, union members and management benefit from a strong working relationship built on good communication, honesty, and trust in tackling current issues and accomplishing far-reaching results.

Effective safety performance is crucial to UPS, it's crucial to pilots, and it's crucial to the well-being of people on the ground. We truly are all in this together.

Bob Brown

UPS Pilot
Member: Independent Pilots Association,
UPS/IPA Safety Task Force

Human Rights

Policy & Responsibility

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

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

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

Investment and Procurement Practices HR1, HR2, HR3

We do not currently report the percentage and total number of significant investment agreements that include human rights clauses or that have undergone human rights screening. Nor do we report the percentage of significant suppliers, contractors, and other business partners that have undergone human rights screening. All significant suppliers are expected to comply with the tenets of our Code of Business Conduct that contains our policies and procedures concerning aspects of human rights that are relevant to UPS operations. All existing employees of UPS receive annual training on the Code of Business Conduct, and all new employees receive this training when they are hired. The Code of Business Conduct is available on our employee website in 16 languages, including a new language added in 2011 (Vietnamese). We devoted more than 185,000 hours of training on the Code of Business Conduct in 2011.

Non-Discrimination HR4

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

Freedom of Association and Collective Bargaining HR5

We support the rights of our employees to become members of a union, and 73 percent of our United States employees have exercised that right. In addition, we encourage positive relationships with our employees and unions by adhering to the principles outlined in our Policy Book and our collective bargaining agreements. In 2011, we identified no UPS operations in which the right to freedom of association and collective bargaining was at significant risk.

Child Labor; Forced and Compulsory Labor HR6, HR7

We are not aware of any incidents, violations, complaints, or concerns in our operations involving the use of child labor or forced or compulsory labor or involvement with human trafficking in 2010. We manage our business in compliance with all applicable laws and regulations of the countries in which we operate, and in accordance with our own Code of Business Conduct.

Security Practices HR8

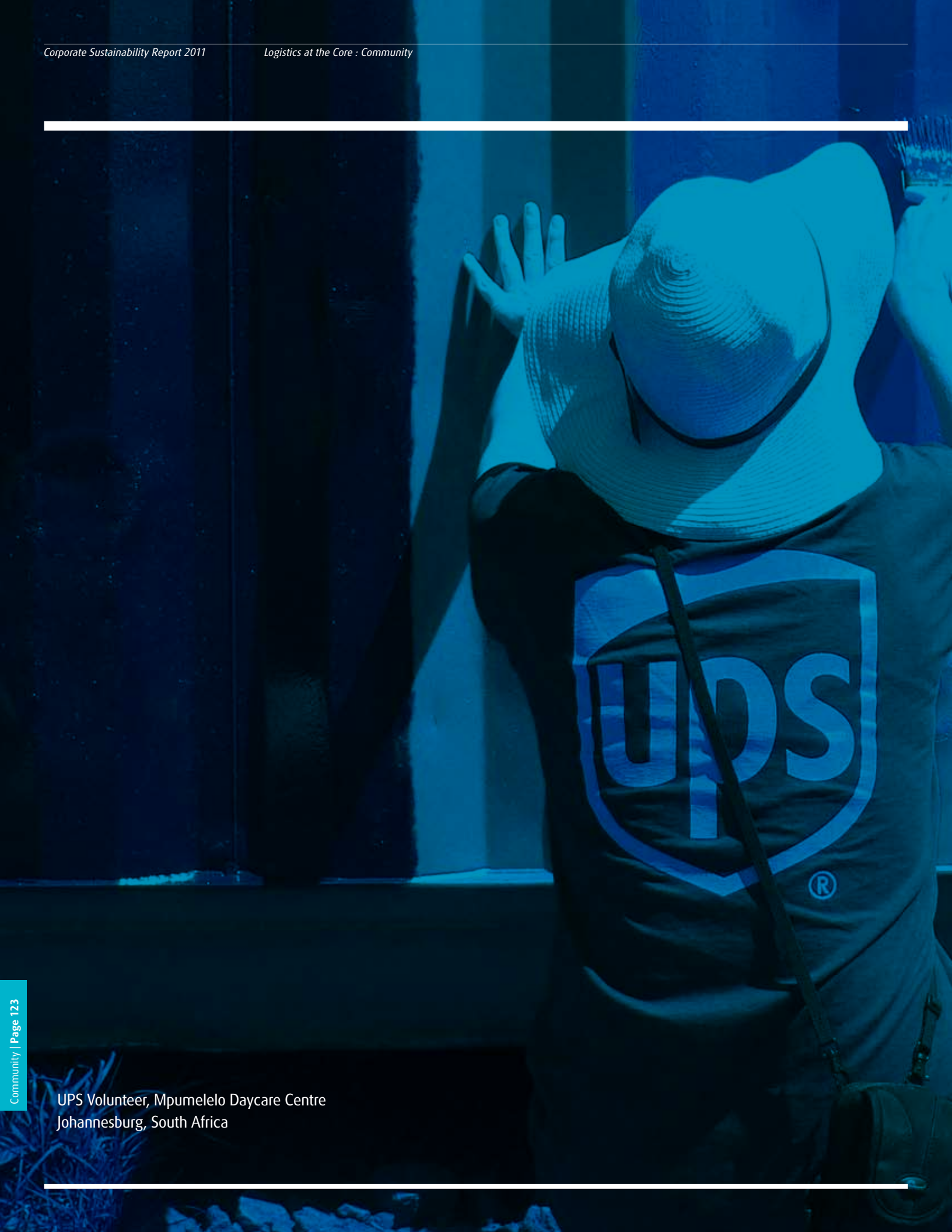
100 percent of UPS's security personnel receive training on human rights issues relevant to our operations. We are not aware of any incidents of significant harm to persons or property related to UPS security personnel in 2011.

Indigenous Rights HR9

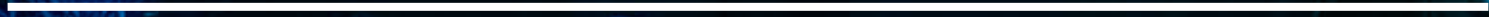
We are not aware of any incidents of violations involving the rights of indigenous people in 2011.

Assessment and Remediation HR10, HR11

We do not currently report publicly on the percentage and total number of operations that have been subject to human rights reviews and/or impact assessments. Nor do we report publicly on the number of grievances related to human rights filed, addressed and resolved through formal grievance mechanisms.



UPS Volunteer, Mpumelelo Daycare Centre
Johannesburg, South Africa



Community

This chapter presents UPS's strong international support for community diversity, neighborhood safety, environmental stewardship, philanthropy, and volunteerism.



Community

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

Special Features in this Chapter

Executive Statement *Page 129*
Eduardo Martinez,
The UPS Foundation



Stakeholder Statement *Page 132*
Caryl Stern,
UNICEF



Stakeholder Statement *Page 135*
Jim Heim,
New York Road Runners



We operate our business to help the global economy operate more efficiently, with a lower carbon impact and better allocation of resources. We're also engaged internationally in the effort to set standards for sustainability and reporting, to help corporations become more transparent about their actions and consequences. At the same time, we are bringing the benefits of our business acumen and infrastructure to individuals and local businesses on a daily basis, millions of times, all around the world. We also seed growth in local communities by spending more than US\$780 million with small and diverse suppliers.

UPS invests in civil society in the same way—from both global and local perspectives. We actively support the world's leading humanitarian relief organizations, including major agencies of the United Nations, and conduct long-term, multinational philanthropic initiatives such as forestry preservation and renewal, community resiliency and road safety. At the same time, we support more than 4,300 non-profits each year, and our people volunteer their time in their communities at an ever-increasing rate. In 2011, the number of recorded volunteer hours reached a new high at 1.6 million.



1.

KPIs and Metrics in this Chapter

KPIs (bold) & Metrics	Change from 2010	Result	Page
KPI: Total Charitable Contributions	Lower	Below 2011 Goal	130
Total Charitable Contributions	Lower	US\$93.5 million	131
Total In-Kind Transportation Movements	Higher	2.73 million	134
Total United Way Donations	Higher	US\$52.1 million	136

Image Captions

1. Tree planting in Gault Nature Reserve, Mont-Saint-Hilaire, Quebec, Canada
2. UPS Volunteers, The Community Storehouse, Fort Worth, Texas, U.S.



2.

The UPS Foundation

Strategy

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

- Diversity
- Community Safety
- Environmental Sustainability
- Volunteerism

Foundation activities in each area are discussed beginning on [page 131](#).

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

In addition, The UPS Foundation manages UPS's United Way program and runs the United Way campaign each year. More information on United Way is provided on [page 136](#).

Governance

Policy and Responsibility

The UPS Foundation is a legally separate 501(c)(3) entity. Its headquarters are co-located with the headquarters of UPS in the United States. Within UPS, management responsibility for the Foundation rests with John McDevitt, Senior Vice President, Human Resources. Within the Foundation, the highest governing body is the Board of Trustees. Because UPS considers the Foundation's work to be a vital contribution to the company's sustainability, the Foundation's Board of Trustees includes the following UPS corporate officers:

- Chief Executive Officer D. Scott Davis
- Chief Operating Officer David Abney
- Chief Financial Officer Kurt Kuehn
- Chief Sales, Marketing and Strategy Officer Alan Gershenhorn
- UPS International President Dan Brutto
- Senior Vice President, Human Resources, John McDevitt
- Senior Vice President, Communications and Brand Management, Christine Owens
- Senior Vice President, Legal, Compliance, Audit and Public Affairs, General Counsel and Corporate Secretary, Teri Plummer McClure

The Board of Trustees meets five times a year, with a mandatory quorum. Minutes of these meetings are signed by Trustees and kept on file. Meetings and other proceedings of The UPS Foundation are governed by its bylaws, which include a conflict of interest policy especially for Foundation employees and Trustees. Foundation bylaws are updated from time to time to reflect changing standards and practices in philanthropy and society. Beyond the bylaws, the Foundation and its trustees and employees are governed by the same documents, structures, and principles that govern UPS itself, including the Code of Business Conduct. (For more information on these documents, structures and principles see "Governance" on [page 31](#).) The UPS Corporate Controller's office and legal department provide financial controlling and inside legal counsel to The UPS Foundation, which also retains outside counsel as necessary for certain legal matters.

Foundation Funding

One of the Board of Trustees' principal responsibilities is reviewing the funding level for The UPS Foundation, and making funding proposals to the UPS Board of Directors. The Board of Trustees also approves matching funds for employee pledges to United Way. In recent years, the Board has authorized The UPS Foundation to match 15 percent of employee United Way donations.

Grant-Making

Within the Foundation, grant-making authority is subject to strict limits and a defined approval process. For example, only the President of the Foundation can approve grants larger than US\$25,000, and grants larger than US\$50,000 require the approval of a Trustee. Before any grant can reach this level of approval, it must meet a number of other documented and established approval criteria as described below. Furthermore, we generally seek to place a UPS senior manager or executive on the Board of Trustees or major steering committee of organizations receiving substantial grants from The UPS Foundation. This ensures an additional level of oversight for our grant-making activity.

Global and national grant-making is managed centrally at Foundation headquarters. Following its non-solicitation policy, the Foundation independently identifies candidate organizations for charitable donations, engages with those organizations to confirm their interest and qualifications, conducts a legal review (for all international grants), and then presents recommendations to the Board of Trustees for review and approval.

Local grant-making starts with committees of UPS employees in local business units. The committees identify candidate organizations and then determine if they fulfill legal and technical requirements. In addition, local grant recipients must be able to show at least 50 hours of volunteer hours contributed by UPS employees before the grant is awarded. The committees present their nominations to local and regional managers, who review them to confirm that candidate organizations

meet requirements, fit Foundation strategy, and respond to local or regional needs. In some cases, the strategic requirement may be eased somewhat in order to address local needs that are important to UPS employees in the community. Finally, the local grant proposal reaches The UPS Foundation, which conducts a third review.

The Foundation makes or renews grants to more than 4,300 non-profit organizations each year. Within the U.S., these are allocated geographically in rough proportion to census figures, which in turn correlate with concentrations of UPS employees. Grants made outside the U.S. are treated somewhat differently because of the significant differences in needs, UPS presence, and population distribution in some regions and countries.

Training and Awareness

The UPS Foundation began offering two new training courses in community engagement for UPS managers in 2011. They are designed to strengthen understanding of UPS's community engagement strategy and why it is vital to the success and sustainability of the company. One of the strongest advocates for bringing these courses to UPS managers is Dan Brutto, President of UPS International. Mr. Brutto is a member of the Board of Directors of the U.S. Fund for UNICEF and personally volunteers his time in support of the organization.

Monitoring and Follow-Up

The Foundation's leadership maintains clear visibility of local grant-making, which is thoroughly and systematically documented throughout any philanthropic relationship. Applications and other documentation remain on file at all levels, so that all parties in the grant-making process can monitor expectations and results. In particular, the Foundation reviews a recipient's results and activities before renewing a grant. This applies equally to global philanthropic partners. In renewing existing grants or continuing multi-year grants, the Foundation assesses the results achieved with the funding provided. Thus The UPS Foundation can act effectively on the international stage while keeping in close touch with local activities around the world.

To further enhance monitoring and follow-up capabilities, The Foundation has brought increased attention and resources to generating quantitative metrics for community engagement efforts. This is a leading-edge activity for corporate philanthropy generally because many of the presumed benefits of community engagement and philanthropic support have not traditionally been measured using quantifiable data.

One of the first initiatives in this area is working with True Impact, an organization that develops corporate responsibility metrics, to determine the financial value of employees' extensive volunteer work around the world. The Foundation is also developing internal metrics to evaluate UPS's international forestry initiative, which is described on [page 101](#). We expect to expand reporting on these and other initiatives in the years ahead.

Executive Statement

Eduardo Martinez, President, The UPS Foundation

The Foundation Perspective



The UPS Foundation leads global citizenship programs for UPS. Its mission is to help build stronger and safer communities by combining strategic philanthropy with the volunteer power of UPSers. As UPS has expanded its operations globally, the Foundation has been right in step, steadily increasing the percentage of total charitable giving to communities around the world.

The company's leadership takes an active role in understanding the challenges facing our global communities.

The Foundation's 61-year history of making a difference in communities is an extension of UPS values. This starts with how the Foundation is governed. The Foundation's Board of Trustees is comprised of the most senior executives of UPS, including our Chief Executive Officer, Chief Operating Officer, Chief Financial Officer, and General Counsel (who is also the company's Chief Compliance Officer). Consequently, the company's leadership takes an active role in understanding the challenges facing our global communities and responding to those needs. This sets the example for nearly 400,000 UPSers—to engage with their community partners by sharing their time and expertise.

The Foundation's professional staff adheres to the same high ethical principles that govern the company. In particular, we follow our company policies and Codes of Conduct, which require a high level of personal responsibility and integrity in all of our operations.

The UPS Foundation maintains a multi-level approach to charitable giving. Corporate grants are focused on our key giving areas, are typically multi-year engagements, and offer volunteer opportunities in multiple geographies. At the local level, the Foundation provides funds to UPS business units and divisions so that UPSers can nominate and make program grants to organizations near their homes. This multi-level approach allows us to cast a wide net, including funding of more than 4,300 non-profit organizations worldwide in 2011. During the year, UPSers also donated more than 1.6 million hours of volunteer service, an historic record, and contributed US\$45.5 million to the UPS United Way Campaign.

The Foundation focuses its efforts in four areas:

- **Community Safety:** We help make communities safer through our humanitarian relief activities and with UPS Road Code™, our safe-driving training program.
- **Environmental Sustainability:** We seek to preserve and enhance the natural environment through our global forestry initiative and other activities.
- **Diversity:** Our grants to organizations that promote diversity help create opportunities and increase inclusion for under-served and under-represented members of our society.
- **Volunteerism:** We promote and facilitate the engagement of people who want to lend a helping hand to those in need.

We believe that these focus areas connect to our goals as a company and are how we can best help our communities. Here are some examples:

- We're one of the world's largest private employers and also one of the more diverse. We believe that our diverse workforce is one of our greatest strengths, and that promoting inclusion helps under-served and under-represented populations just as it helps UPS in the long term.

- We're a logistics company. Bringing humanitarian relief to communities in crisis is all about logistics. UPS volunteers make a difference whether they are first responders in the aftermath of a natural disaster, supply chain specialists improving relief effectiveness, or serving on the boards of directors of our non-profit partners.

We take great pride in the positive effects that The UPS Foundation and UPSers have had in our communities for more than six decades. We execute our philanthropy and employee engagement with the same efficiency, integrity, transparency and passion that have enabled UPS to grow and thrive for 105 years.

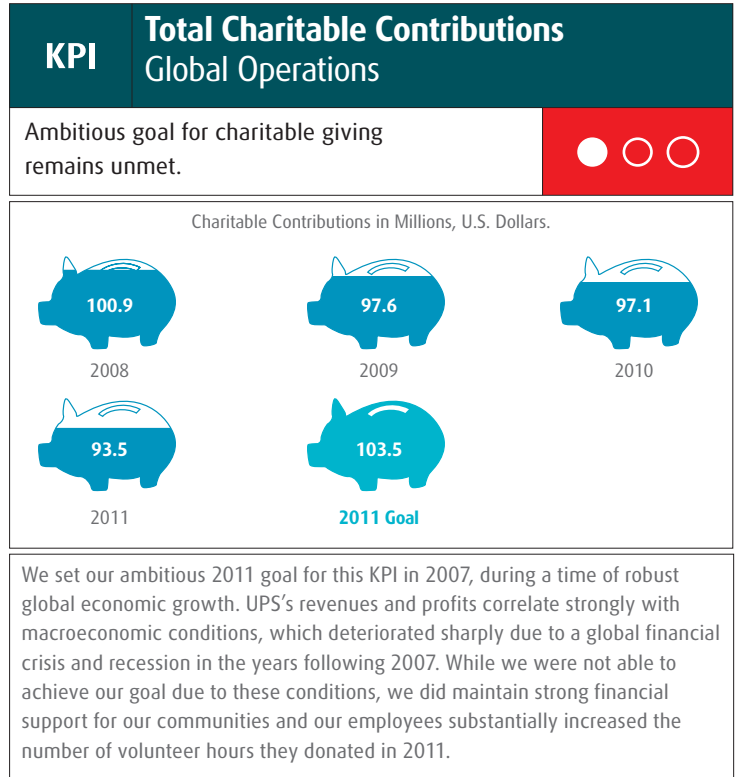
Execution in 2011

Our Key Performance Indicator for community philanthropic support is Total Charitable Contributions. This metric includes two sources of philanthropic support: charitable donations from The UPS Foundation and donations by employees to United Way. The Foundation directs its charitable donations into the following categories:

- Cash grants to outside organizations, as described earlier in “Grant-Making”
- In-kind transportation movements and logistics skills donations, which the Foundation coordinates
- Matching funds for United Way from UPS, as described earlier in “Foundation Funding”
- Charitable contributions/sponsorship support of non-profit conferences and events

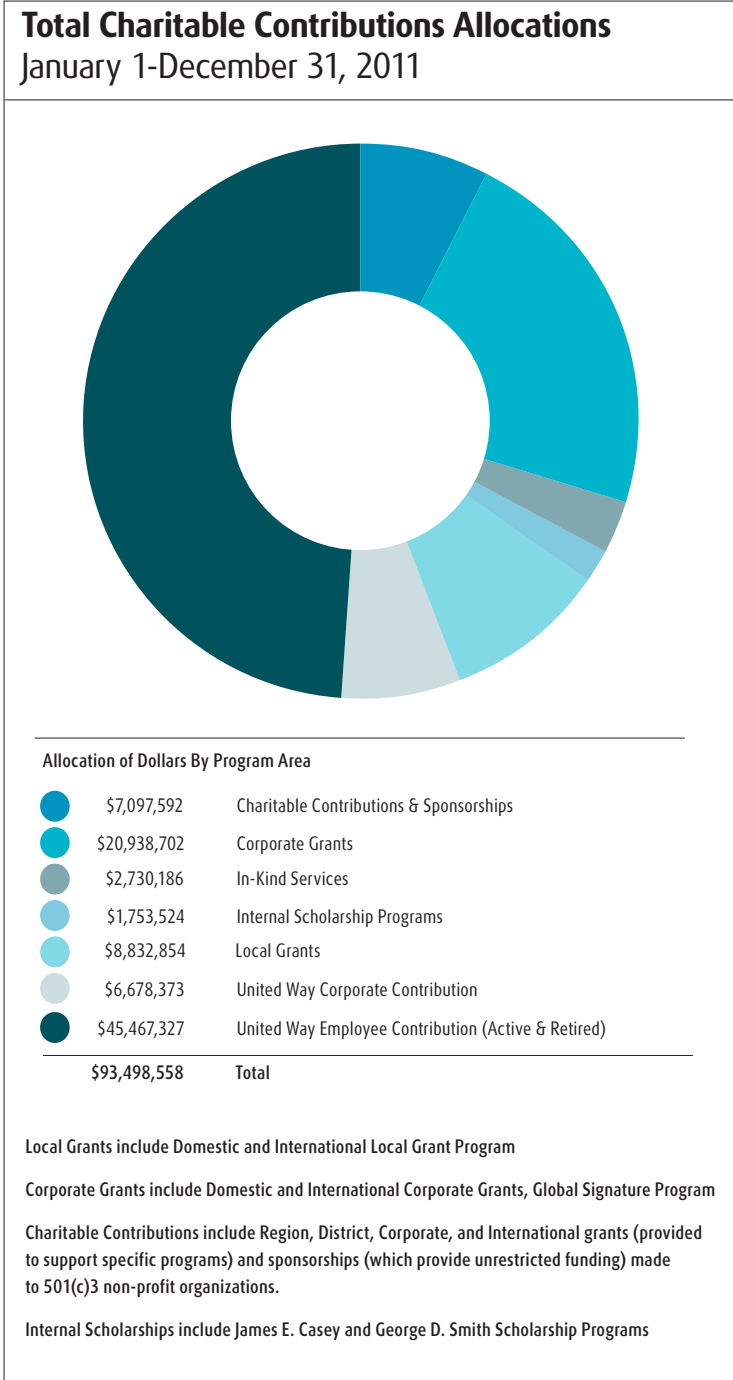
Five years ago, we set a goal for 2011 of US\$103.5 million for Total Charitable Donations. This was a stretch goal, based on our expectation that the Board of Directors would continue to increase funding for The UPS Foundation on an annual basis. This funding growth did not occur, primarily due to the recession of 2008 and 2009 and its aftermath.

As a result, we fell short of our goal for 2011 Total Charitable Contributions, as shown in the KPI chart to the right. We note, however, that UPS generally sustained its level of philanthropic support for its communities during an historic economic downturn in the U.S. and a recession that affected countries throughout the world. In particular, the Foundation continued to match employee donations to United Way at the 15 percent level and significantly increased in-kind transportation movements and other in-kind donations for humanitarian relief compared to five years ago.



The UPS Foundation: 2011 Achievements and Highlights

- Launched a multi-year Forestry Initiative, supporting tree planting and reforestation projects around the world
- Reached a new employee volunteer record, 1.6 million hours
- Provided US\$6.4 million in grants and in-kind donations in humanitarian relief, the highest amount in our history
- Taught 2,000 young people in four countries safe driving skills
- Awarded grants to more than 4,300 non-profit organizations, supporting communities where our employees live and work



Diversity

Our Diversity focus area receives the largest share of our global and national grants. It includes activities formerly described as a focus area for economic and global literacy. The recipients of our largest Diversity grants are also long-time partners, including National Urban League and National Council of La Raza. A stakeholder perspective from National Urban League appears on [page 118](#).

Recipients of funding in excess of \$100,000 in 2011 included:

- 100 Black Men of America, Inc.
- American Indian College Fund
- Council of Independent Colleges
- Girls Incorporated
- Hispanic Scholarship Fund, Inc.
- Human Rights Campaign Foundation
- Leadership Conference on Civil Rights Education Fund, Inc.
- National Association for the Advancement of Colored People (NAACP)
- National Center for Disability Services
- National Council of La Raza
- National Minority Supplier and Development Council
- National Organization on Disability
- National Urban League
- Organization of Chinese Americans
- Paralyzed Veterans of America
- United Negro College Fund
- World Association of Girl Guides and Girl Scouts

A complete list of Diversity grants in 2011 is available on our [website](#).

Stakeholder Statement

Caryl Stern, President & CEO, U.S. Fund for UNICEF

UNICEF



UPS likes to say to us, “we’re in this together with you.” As with many strong partnerships, both of our organizations bring experience and resources that, when united, help create the backdrop for a stronger future. In our eyes, that future is one where not a single child dies from preventable causes, something we strive for through our efforts in more than 150 countries. UPS not only brings its logistics expertise and capabilities to our endeavors; it brings a shared vision for a healthy tomorrow for the world’s children.

Often, the difference between saving a life and not saving a life is getting supplies delivered to those in need quickly and efficiently.

In our experience, NGO-private sector partnerships are most effective when our humanitarian aims align with partners’ objectives and core capabilities. The UNICEF-UPS partnership benefits from just this kind of key alignment of values and intellectual know-how. The complementary expertise is symbiotic, with UPS sharing and supporting critical logistics strategies, inventory management training, technical expertise, and supply chain management methods. In turn, these inputs help us do what we do best: deliver health care, nutrition, clean water, emergency relief, education and more to the world’s most vulnerable children. UPS helps us in many ways, from preparing for

disasters and moving supplies where they need to be, to lending manpower and providing financial support.

Often, the difference between saving a life and not saving a life is getting supplies delivered to those in need quickly and efficiently. UPS commits resources to UNICEF in advance, helping us to respond immediately to an emergency. In the summer of 2011, for example, as a result of the drought and food crisis in the Horn of Africa, hundreds of thousands of children were at imminent risk of death due to lack of food and water. UPS responded with a \$100,000 cash grant as well as a plane that delivered 24 metric tons of critical relief supplies within 72 hours. As a result, life-saving therapeutic food was administered by UNICEF to the most at-risk children, where the need was greatest.

Above all, UPS partners with us in saving lives. In a world that is unpredictable and ever changing, we know that in times of crisis, we can count on UPS to help us deliver critical supplies to children who need it most.

We truly appreciate UPS’s unwavering commitment to UNICEF and helping children around the world.

Caryl Stern
President & CEO, U.S. Fund for UNICEF

Community Safety

L15

Our Community Safety focus area is the fastest-growing in terms of global and national grants. In this focus area, we conduct two major activities: our UPS Road Code™ safety program for young drivers and humanitarian relief efforts. Here again, our major grant recipients are also long-time partners. We conduct the UPS Road Code program with Boys and Girls Clubs of America (in the U.S. and Canada). We support humanitarian relief in partnership with leading international organizations including CARE, UNICEF, the American Red Cross, and the U.N. World Food Programme (WFP). A stakeholder perspective from UNICEF appears on [page 132](#).

UPS Road Code™ Program

In 2011, the UPS Road Code program taught nearly 2,000 young people safe driving skills in four countries (the U.S., Canada, Germany, and England). UPS employees volunteer to teach this innovative program, which employs multimedia technology derived from UPS's own driver training courses. We plan to bring the program to our Asia Pacific region in 2012, beginning with the city of Shanghai in China.

Humanitarian Relief

Our principal urgent humanitarian relief activities in 2011 took place in Japan, following the Fukushima earthquake and tsunami; in the Horn of Africa, to address famine conditions; and in the U.S., following tornadoes across a number of the Southern States. These activities, totaling US\$3.7 million in cash and US\$2.7 million in in-kind donations, are summarized in the following paragraphs.

Japan. Following the 8.9 magnitude earthquake in Japan in March of 2011, The UPS Foundation pledged US\$1 million in relief for earthquake victims there. This amount funded in-kind transportation of emergency supplies, the services of trained humanitarian logistics personnel, and financial support. UPS relief agency partners in Japan included the American Red Cross and the Salvation Army. The American Red Cross investments in the Japan recovery plan have helped 200,000 disaster survivors.

Africa. In July of 2011, the United Nations Office for the Coordination of Humanitarian Affairs reported that the Horn of Africa was experiencing the most severe food crisis in the world—and that the situation was getting worse. More than 13 million people in Kenya, Ethiopia, Somalia, and Djibouti were severely affected and in need of urgent life-saving assistance. The UPS Foundation responded with a supplemental donation of US\$100,000 to UNICEF, a long-time philanthropic partner of the Foundation; a US\$150,000 donation to CARE; and a special charter flight by UPS Airlines from Europe to Africa with 50 metric tonnes of food for the U.N. World Food Programme (WFP), another long-time philanthropic

partner of UPS. In the weeks that followed, the Foundation worked with UNICEF to coordinate in-kind transport of an additional 60 metric tonnes of food from Europe to a distribution base station in Nairobi, Kenya.

United States. In January of 2011, The UPS Foundation established Logistics Action Teams (LATs) in four U.S. cities to support the American Red Cross. LATs are modeled on the World Food Programme's Logistics Emergency Team (LET) program, which utilizes logistics experts from private companies including UPS in times of crisis. Just five months after the LATs were established, The UPS Foundation activated a team for the first time to support the American Red Cross's relief efforts for victims of tornadoes in the southeastern region of the U.S. The Foundation also pledged an additional US\$100,000 to the American Red Cross (beyond an existing US\$500,000 commitment) and made a US\$50,000 contribution to the Metropolitan Atlanta Chapter of the Red Cross, also earmarked for emergency relief for tornado victims.

UPS does not wait for disasters to support its humanitarian relief partners. The Foundation also works with relief agencies behind the scenes, providing capacity-building advice, skilled volunteers, and in-kind movements of goods and materials, both before and after disasters. We have increased this support in recent years, because the need for efficient logistics and transportation continues to grow every year. In 2011, we:

- Chaired the World Food Programme's Logistics Emergency Team and lent logistics experts to various relief sites around the world.
- Helped the American Red Cross preposition trailers of relief supplies around the gulf coast region of the U.S. prior to hurricane season.
- Worked with UNICEF to provide insecticide-treated mosquito nets in the Democratic Republic of Congo and prevent the spread of malaria.
- Donated transportation to the Aidmatrix Foundation, which connects relief agencies with donors of materials or goods. UPS was one of the carriers who donated shipping to deliver those goods and materials.
- Provided CARE with 25 project recommendations for increasing the efficiency of its supply chain.
- Showed the American Red Cross how to increase the pallet capacity of an existing warehouse by 94 percent using 17 percent less space.
- Provided the Salvation Army with layouts, drawings, and recommended specifications regarding door dock heights, turning radiuses, pallet storing, and forklift clearances for a new warehouse in Haiti.
- Provided logistics and financial support to organizations rebuilding homes after tornadoes struck the city of Joplin, Missouri, utilizing similar processes documented by UPS for the St. Bernard Project that built homes for victims of Hurricane Katrina.

Total In-Kind Transportation Movements Global Operations

Charitable contributions in millions, US Dollars.



Environmental Sustainability

Since 1991, The UPS Foundation has provided nearly US\$19.8 million in support of environmental initiatives around the world. The Foundation made Environmental Sustainability a focus area in 2008, with a strategy to support organizations and initiatives aligned with UPS's own environmental initiatives, expertise and concerns. For example, the Foundation provides financial support to World Resources Institute and World Business Council for Sustainable Development, which develop global tools and standards for water risks, and transparent, comparable reporting on greenhouse gas emissions, respectively. UPS uses these tools and standards in its own sustainability reporting and believes they are essential to broader acceptance and understanding of sustainability principles.

In 2011, the Foundation made grants in this focus area totaling nearly US\$3.7 million. A number of grants were made as part of a new, international initiative at The UPS Foundation to support tree planting and reforestation projects. The alignment with UPS concerns in this case is the earth's continued ability to sequester greenhouse gas emissions. Specific grants and projects related to this initiative include:

- US\$500,000 to The Nature Conservancy to protect 178 million acres of boreal forest in Canada from future deforestation, support a campaign in Brazil to plant 1 billion trees in the country's Atlantic forest, and plant 150,000 trees on degraded lands near existing nature preserves in China's Sichuan province.
- US\$200,000 to National Park Foundation to support tree planting for the Flight 93 Memorial Project, a 2,200-acre national park built to commemorate lives lost in terrorist attacks on September 11, 2001.
- US\$235,000 to Earth Day Network to plant trees in an historic forest near Brussels in areas deforested by agricultural development, advance urban tree planting in six industrial cities in the U.S., and continue the work of a sustainable transportation project with a bio fuel lab in Louisville, Kentucky.

- US\$225,000 to Keep America Beautiful for its continued support of the Community Improvement Grants program for local affiliates.
- US\$150,000 to National Arbor Day Foundation to plant 50,000 trees in the boreal forest in Alberta, Canada.

Other notable grants made in 2011 include:

- US\$300,000 to World Resources Institute, primarily to advance the development of the Greenhouse Gas Protocols used by UPS and many other leading companies around the world for standardized, comparable emissions disclosure.
- US\$50,000 to World Wildlife Fund for its Education for Nature project, which is helping to develop the next generation of conservation leaders in Africa, Asia, and Latin America.

Employee Volunteerism

UPS employees and their families donated 1.6 million hours in their communities in 2011, a record high and a sharp increase compared to 1.2 million hours in the previous two years. The increase is due primarily to the generous spirit of UPS employees, combined with a strong line-up of non-profits that attract UPS volunteers as part of receiving grants. In addition, The UPS Foundation has made employee volunteerism a strategic focus, which led to major increases in volunteerism in a number of our international locations. This in turn led to major increases in volunteerism in a number of our international locations. During Global Volunteer Month in October 2011, more than 301,000 people in 50 countries donated 285,000 hours of their time. The UPS Foundation pledged a total of US\$100,000 to community organizations on behalf of ten UPS employees who participated in Global Volunteer Month community service projects. Increasingly, UPS volunteers provide logistics, management and knowledge skills in addition to traditional labor-based activities.

Stakeholder Statement**Jim Heim, Director of Event Development**

New York Road Runners



At the New York Road Runners, our mission is about getting people up and moving, running and being healthy. In 2012 we mark our 16th year of collaboration with UPS on the ING New York City Marathon, which is our largest annual event. Over the past couple of years, the field of participants has slightly increased, which has allowed NYRR to continue to strategically plan for the many facets that encompass the event. This year it is possible to have a record number of participants which could be close to 50,000 finishers for the first time in NYRR history.

The help and assistance of UPS volunteers is very comforting to runners, and it lends us tremendous credibility.

In a lot of ways, the race is an once-in-a-lifetime and a life-changing experience. Close to half of our participants are running the race for the first time, and our course is unique among marathons in that the start and finish are so far apart. UPS delivers the runners' personal belongings from the starting line to the finish line, and we are grateful for the peace of mind this gives people. When they arrive at the Staten Island, they're greeted by a fleet of UPS trucks that will safely transport their belongings to the finish in Central Park in a massive convoy escorted by the New York Police Department. In 2011, UPS carried nearly 70,000 items in 74 UPS cars. The help and assistance of UPS volunteers is very comforting to runners, and it lends us tremendous credibility.

We operate with around 20 logistics partners who we rely on to help execute the marathon each year: from obtaining permits, acquiring approvals and other invaluable services like those that UPS donates to the race. There are logistics risks all over the place, but we never look at the UPS collaboration as risk. It's a comfort zone for us. We couldn't think of a better partner to have. UPS volunteers and their families contribute more than 3,500 hours of additional support to the marathon every year, which just confirms the organization's commitment to our cause. UPS "hearts" logistics—and healthy people—just as much as we do.

Event revenues from the ING New York City Marathon help fund our mission year-round. It's also a direct platform for fund-raising, which supports some 200 charities. Last year the ING New York City Marathon raised a little over \$34 million, helping us to accomplish our goal of getting people up, moving and healthy.

 Jim Heim

 Director of Event Development,
 New York Road Runners

One of the qualities that makes UPS volunteers so valuable to non-profit organizations is their high skill level, especially in the areas of logistics, transportation, technology, and business operations. Our people take the skills they acquire into their communities in many ways (see table below), often helping organizations that receive grants from The UPS Foundation to accomplish specific results.

Skills Categories by Volunteer Activity

Board Activities & Coaching (8 percent of total hours)

Management effectiveness
Financial management
Organizational development
Community outreach
Public speaking
Partnering with other organizations

Recreation Activities (21 percent of total hours)

Team-building
Communication
Motivation

Fundraising, Conferences & Special Events (25 percent of total hours)

Project management
Materials handling
Volunteerism

Health & Wellness (9 percent of total hours)

Smoking cessation
Wellness champions

Renovation, Revitalization & Repair (6 percent of total hours)

Building construction processes
Warehouse and distribution technology
Information technology

Teaching, Training & Tutoring (17 percent of total hours)

Safe driving
Vehicle maintenance
Economic literacy

Other (14 percent of total hours)

Humanitarian logistics

United Way Contributions

S09, S010

As noted earlier, The UPS Foundation manages UPS's relationship with United Way and runs the UPS United Way campaign each year. On the strength of our employees' generosity, UPS has lead corporate supporters in eight out of ten past years. The UPS Foundation contributes a relatively small portion of the total donation because it is authorized to match only 15 percent of employee donations each year. The combined contributions to United Way in 2011 totaled US\$45.5 million from employees and retirees and US\$6.6 million from The UPS Foundation (see table below). Since 1982, when UPS began its association with United Way, the aggregate total is well over US\$1 billion, more than any other company ever.

Total United Way Donations U.S., Mexico, and Canada

Charitable contributions in millions, US Dollars.



The table above reflects the combined contribution of employee and corporate dollars provided to United Way for the calendar year reflected. Employee contributions encompass the dollars paid by participating employees of all business units in the U.S., Canada, and Mexico, a broader scope than previously reported in the UPS Sustainability Report. UPS employees pledged more than US\$55.4 million during the 2011/2012 United Way campaign. Actual total contributions, including UPS's matching funds, totaled US\$52.1 million.





Appendix A

Key Performance Indicators: Summary of Definitions and Results

KPI Description	Scope of Data	Additional Data	2008	2009	2010	2011	2011 Goals	2016 Goals	2020 Goals
Penalties as a percent of Total Environmental Inspections	U.S. Domestic Package U.S. Supply Chain & Freight	Environment related fines paid (United States) as a percent of total environment related agency inspections.	0.59% 4.00%	1.00% 1.10%	1.12% 1.24%	1.18% 2.30%	— —	— —	— —
Water Consumption—Normalized Cu meters per 1,000 Packages Cu meters per US\$1,000 of Revenue	U.S. Domestic Package	Water consumption (United States) includes all facility related water and water used to wash vehicles—expressed in cubic meters.	1.28 0.139	1.18 0.138	1.19 0.134	1.16 0.124	— —	— —	— —
Energy Consumption—Normalized Gigajoule per 1,000 Packages Gigajoule per US\$1,000 of Revenue	U.S. Domestic Package	Energy consumption (United States) includes stationary sources of energy and mobile sources of energy (gasoline, diesel, Jet A, and compressed natural gas).	30.40 3.32	29.33 3.44	29.23 3.30	28.78 3.09	— —	— —	— —
Gallons of Fuel per Ground Package	U.S. Domestic Package	Fuel consumption (United States) includes gasoline, diesel, compressed natural gas, fuel for rail services divided by total United States ground and air volume moved on ground.	0.127	0.121	0.117	0.116	—	—	—
Aircraft Emissions per Payload Capacity	UPS Airlines— Global Operation	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.	0.76	0.75	0.73	0.73	0.74	0.73	—
CO ₂ e Emissions—Normalized Metric tonnes per 1,000 Packages Metric tonnes per US\$100,000 of Revenue	U.S. Domestic Package	GHG emissions (United States) calculated using GHG Protocol—Scope 1 and Scope 2. Includes stationary sources of energy (electricity, natural gas, propane, and heating oil) and mobile sources of energy (gasoline, diesel, Jet-A, compressed natural gas).	2.25* 24.61*	2.20 25.81	2.18 24.65	2.14 23.03	— —	— —	— —
Number of Reportable Spills	U.S. Domestic Package U.S. Supply Chain & Freight	Spills that meet criteria of being federal or state reportable.	82 —	75 38	67 41	75 44	— —	— —	— —
Aviation Gallons Burned per 100 Available Ton Miles	UPS Airlines—Global Operations	Gallons of jet fuel consumed by aircraft type by lane segment divided by (air distance by lane segment X maximum payload in tons) divided by 100.	6.73	6.63	6.57	6.66	6.57	—	6.27
CO ₂ Pounds per Available Ton Mile	UPS Airlines—Global Operations	Pounds of CO ₂ emitted for every ton of capacity transported one nautical mile.	1.42	1.4	1.39	1.41	—	—	1.24
Total Charitable Contributions	Global Operations	Includes The UPS Foundation grants, in-kind services and employee/retiree donations to United Way.	US\$ 100.9M	US\$ 97.6M	US\$ 97.1M	US\$ 93.5M	US\$ 103.5M	US\$ 103M	—
Full-Time Employee Retention Rate	Global Operations	Percent of all full-time employees that stay with our company annually.	91.0%	92.6%	91.9%	90.1%	85%	87.5%	—
Employer of Choice Index	Global Operations	A subset of 20 questions from the Employee Opinion Survey that assess employees' opinions of how UPS attracts, retains, and motivates employees.	Did not conduct	70.0%	66.0%	68.0%	70.0%	72.0%	—
DART Injury Rate per 200,000 Hours (Days Away, Restricted, or Transferred duty)**	Global Operations	Days away from work, restricted activity, or transferred to another job due to an on-the-job injury. This number represents the number of occurrences per 200,000 hours worked.	5.0	4.2	4.1	3.8	3.9	—	—
Lost Time Injuries**	Global Operations	Injury cases involving days away from work. This number represents the number of occurrences per 200,000 hours worked. "Lost Time Injuries" is a new KPI name that aligns with global reporting, replacing DART which is a US-specific measurement. This reflects our current global approach to this KPI.	—	—	—	1.88	—	1.75	—
Auto Accident Frequency (per 100,000 driver hours)	Global Operations	Total number of vehicular accidents (regardless of severity) per 100,000 driver hours.	13.3	10.9	10.3	9.3	9.7	9.0	—
Transportation Index	All U.S. Operations & Global Airlines	The Transportation Index sums our transportation-related Scope 1 and 2 emissions in the United States (from our U.S. Domestic Package segment and the U.S. operations of our Supply Chain & Freight segment) and in our global air operations (UPS Airlines).	—	—	6.1%	7.8%	—	10%	—
Alternative Fuel & Advanced Technology Miles Driven	Global Operations	Alternative fuel and advanced technology vehicles include: compressed natural gas (CNG), propane, liquefied natural gas (LNG), liquefied petroleum gas (LPG), diesel hybrid electric, gasoline hybrid electric, diesel hybrid hydraulic and full electric vehicles.	—	—	200M	246M	—	400M 2017 Goal	—

*These numbers remain CO₂ (2009 through 2011 numbers are CO₂e)

** In 2012, the KPI 'DART' will be replaced with Lost Time Injuries

Green Type - met 2011 goal

Orange Type - improved results from last year

EN16, EN17, EN29

Appendix B

Statement of Greenhouse Gas (GHG) Emissions for the years ended December 31, 2011 and 2010

GHG Performance

Global CO ₂ e Emissions ('000 tonnes)	2011	2010	% Change 10/11
BY SCOPE			
Scope 1	11,981	11,713	2.3%
Scope 2	891*	917	-2.8%
Total Scope 1 & 2	12,872	12,630	1.9%
Scope 3	8,831	9,865	-10.5%
Total Scope 1, 2 & 3	21,703	22,495	-3.5%
Voluntary carbon offsets for Scope 1 CNS (retired)	(23.5)	(2.7)	
Voluntary carbon offsets for Scope 2 CNS (retired)	(1.7)	(0.2)	
Voluntary carbon offsets for Scope 3 CNS (retired)	(3.4)	(0.3)	
Net Global CO ₂ e Emissions	21,674	22,492	

* A portion of the reduction in Scope 2 emissions in 2011 over 2010 is due to a change in emission factors. 2011 Scope 2 emissions includes emission factors from EPA eGrid2010, whereas 2010 Scope 2 emissions include emission factors from eGrid2007.

Notes to Statement of GHG Emissions for the years ended December 31, 2011 and 2010

Note 1: GHG Reporting Policies

The statement of greenhouse gas (GHG) emissions has been prepared based on a calendar reporting year that is the same as United Parcel Service, Inc. (UPS or the Company) financial reporting period.

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

Scope 3 GHG emissions information has been prepared in accordance with the World Resources Institute/World Business Council for Sustainable Development Greenhouse Gas Protocol: Corporate Value Chain (Scope 3), Accounting and Reporting Standard. Scope 3 emissions for 2011 included six of the fifteen possible Scope 3 categories whereas 2010 included five of the fifteen categories.

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

A summary of the key disclosure and measurement policies is set out below, together with an explanation of where changes have been made from policies in the previous year.

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

Base Year GHG Emissions

The GHG base year applies to Scope 1 and Scope 2 emissions as set out above and has been prepared in accordance with the GHG reporting policies set out here. The base year GHG emissions were set as of 2010 as this was the first year the organization had assured the greenhouse gas emissions. A base year for Scope 3 emission has not been set, since this is the second year of reporting as per the Greenhouse Gas Protocol Corporate Value Chain (Scope 3) Accounting & Reporting Standard. A base year for Scope 3 will be set in the near future.

Greenhouse Gases

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

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

Gas	Global Warming Potential (GWP)	Reference
Carbon Dioxide (CO ₂)	1	Second Assessment Report (SAR) published by Intergovernmental Panel on Climate Change.
Methane (CH ₄)	21	
Nitrous Oxide (N ₂ O)	310	
HFC-134a	1300	

GHG Reporting Scope and Boundary

The Statement of Greenhouse Gas Emissions includes Scope 1 (direct), Scope 2 and Scope 3 (indirect) emissions that have been reported for operations within the organizational boundary described below. GHG emissions have been reported from the entities where the Company has operational control (as defined by the GHG Protocol). GHG emissions that fall within the organizational and operational boundaries have been reported for the global operations described below. For 2011, UPS is reporting on the following six of the fifteen Scope 3 categories described by the Greenhouse Gas Protocol Corporate Value Chain (Scope 3) Accounting & Reporting Standard: fuel and energy related activities, business travel, waste generated in operations, employee commuting, transportation and distribution, and franchises. Waste generated in operations is a new disclosure for 2011. In addition, we have expanded the fuel and energy related activities category to include all sources of fuel and energy due to improvements in data collection and emission factor calculations in 2011 that were not in place in 2010.

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

The U.S. business consists of air and ground delivery of small packages—up to 150 pounds in weight—and letters to and from all 50 states. It also provides guaranteed, time-definite delivery of certain heavyweight packages.

The International Package segment provides air and ground delivery of small packages and letters to more than 220 countries and territories around the world.

- Europe is our largest region outside the United States—accounting for approximately half of our international revenue. In Europe we provide both express and domestic service, much like the service portfolio we offer in the U.S., and based on the same integrated network model.
- Through more than two dozen alliances with Asian delivery companies that supplement company-owned operations, we serve more than 40 Asia-Pacific countries and territories.
- Our Canadian operations include both domestic and import/export capabilities. We deliver to all addresses throughout Canada.

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

- We focus on supply chain optimization, freight forwarding, international trade and brokerage services for our customers worldwide, which include a broad range of transportation solutions including air, ocean and ground freight.
- UPS Freight is a Less-than-Truck-Load (LTL) service, which offers a full range of regional, inter-regional and long-haul LTL capabilities in all 50 states, Canada, Puerto Rico, Guam, the Virgin Islands, and Mexico.

No acquisitions or divestments occurred in 2011 that materially affect GHG emissions.

Uncertainty

As calculations of GHG emissions contain uncertainty for a variety of reasons, we conducted an uncertainty analysis to quantify estimates of the likely or perceived difference between the reported GHG

emissions and a qualitative description of the likely causes of the difference such as uncertainty in data inputs and calculation methodologies; uncertainty associated with mathematical equations used to characterize the relationship between various parameters and emission processes; and uncertainty associated with quantifying the parameters used as inputs to estimation models. UPS continues to improve internal processes for primary data collection to reduce uncertainty in its GHG inventory reporting for Scopes 1 and 2. UPS continues to work with the third parties responsible for providing the data necessary to calculate Scope 3 emissions and will continue to work on improving the data management and the methodologies used to estimate these emissions to reduce the uncertainty in its GHG inventory reporting. Using the GHG Protocol “Measurement and Estimation Uncertainty of GHG Emissions” guidance and analyzing the collected data through Monte Carlo simulations by using the @Risk statistical analysis software at 95% confidence interval, we are able to estimate the uncertainty for our 2011 GHG inventory as follows:

Scope	Uncertainty	Main Source of Uncertainty	Comments
Scope 1	+/- 1%	International Operations	U.S. Operations (Small Package, Supply Chain & Freight) and UPS Airlines are our largest source of Scope 1 emissions and represent 97% of the total Scope 1 emissions. Well-established processes are in place to capture the primary data for these sources. International Operations represent 3% of the total Scope 1 emissions.
Scope 2	+/- 2%	International Operations	U.S. Operations (Small Package, Supply Chain & Freight) are our largest source of Scope 2 emissions representing 89% of the total Scope 2 emissions. Well-established processes are in place to capture the primary data for these sources. International Operations represent 11% of the total Scope 2
Scope 3	+/- 8%	Use of secondary data	For 2011, UPS is reporting on six of the fifteen Scope 3 categories described in the Greenhouse Gas Protocol Corporate Value Chain (Scope 3) Accounting & Reporting Standard. Calculations for Scope 3 use various sources of secondary data since primary data is unavailable. Examples of the type of secondary data used vary from estimated miles driven, number of packages picked-up/delivered to estimated shipment information (weight and distance per shipment).

GHG Emission Factors

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

Published emission factors were used to calculate emissions from operations.

Emission Source	Emission Factor Employed
Scope 1 - Global	GHG Protocol Emission Factors from Cross-Sector Tools version 1.2 (Sept 2011) and US Environmental Protection Agency Climate Leaders GHG Inventory Guidance (May 2008)
Scope 2 - U.S.	US Environmental Protection Agency eGRID2010
Scope 2 - Canada	Environment Canada, National Inventory Report, 1990-2008
Scope 2 - Other	GHG Protocol Emission Factors from Cross-Sector Tools version 1.2 (Sept 2011)
Scope 3 - Global	GHG Protocol Emission Factors from Cross-Sector Tools version 1.2 (Sept 2011), US EPA Climate Leaders GHG Inventory Guidance (May 2008), EPA SmartWay Carrier Rankings and Emission Rates (railroad only), CEN/TC 320/WG 10 Methodology, and Carbon Trust Footprint Expert, Ver 3.3.

Methodology

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

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

Note 2: Carbon Offset Purchases from UPS carbon neutral product for the year ended December 31, 2011

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

Carbon Offset Purchases from UPS Carbon Neutral Product

Project Name	Project Location	Offset Standard	Project Type	Metric Tonnes Retired
Garcia River Forest	US (California)	CAR	Forestation	13,603
Chol Charoen Group Wastewater Treatment with Biogas System 1 (Cholburi)	Thailand	VCS	Wastewater Methane Destruction	5,000
Mamak Landfill Waste Management Project	Turkey	Gold	Landfill Gas Destruction	5,000
Dalian Maoyingzi Landfill Gas Recovery for Power Generation Project	China	VCS	Landfill Gas Destruction	5,000
Curva de Rodas and La Pradera landfill gas management project	Colombia	VCS	Landfill Gas Destruction	89
2011 Total Offsets				28,692

Note 3: Emissions by Business Unit for the years ended December 31, 2011 and 2010

2011 by Business Unit*				*Arrows relative to 2010 figures
Global CO ₂ e Emissions ('000 tonnes)	U.S. Pkg Ops	Int'l Pkg Ops	Global SC&F	Totals
Scope 1	6,638 ↓	4,372 ↑	971 ↓	11,981 ↑
Scope 2	668 ↓	68 ↓	155 ↓	891 ↓
Total Scope 1 & 2	7,306 ↓	4,440 ↑	1,126 ↓	12,872 ↑
Scope 3	2,654 ↑	1,850 ↓	4,327 ↓	8,831 ↓
Total Scope 1, 2 & 3	9,960	6,290	5,453	21,703

2010 by Business Unit				
Global CO ₂ e Emissions ('000 tonnes)	U.S. Pkg Ops	Int'l Pkg Ops	Global SC&F	Totals
Scope 1	6,649	4,022	1,042	11,713
Scope 2	683	75	159	917
Total Scope 1 & 2	7,332	4,097	1,201	12,630
Scope 3	2,464	1,997	5,404	9,865
Total Scope 1, 2 & 3	9,796	6,094	6,605	22,495

Note 4: CO₂e Intensity for the years ended December 31, 2011 and 2010

2011 CO ₂ e Intensity*				*Arrows relative to 2010 figures
Global CO ₂ e ('000 tonnes / \$M Revenue)	U.S. Pkg Ops	Int'l Pkg Ops	Global SC&F	Totals
Revenue in millions	\$31,717	\$12,249	\$9,139	\$53,105
CO ₂ e '000 tonnes / \$M Revenue				
Scope 1	0.209 ↓	0.357 ↓	0.106 ↓	0.226 ↓
Scope 2	0.021 ↓	0.006 ↓	0.017 ↓	0.017 ↓
Combined Scope 1 and 2	0.230 ↓	0.363 ↓	0.123 ↓	0.242 ↓
Scope 3	0.084 ↑	0.151 ↓	0.474 ↓	0.167 ↓
Total	0.314	0.514	0.597	0.409

2010 CO ₂ e Intensity (unaudited)				
Global CO ₂ e ('000 tonnes / \$M Revenue)	U.S. Pkg Ops	Int'l Pkg Ops	Global SC&F	Totals
Revenue in millions	\$29,742	\$11,133	\$8,670	\$49,545
Scope 1	0.224	0.361	0.120	0.236
Scope 2	0.023	0.007	0.018	0.019
Combined Scope 1 and 2	0.247	0.368	0.139	0.255
Scope 3	0.083	0.179	0.623	0.199
Total	0.329	0.547	0.762	0.454

Note 5: Scope 1 and Scope 2 Emissions by Source for the years ended December 31, 2011 and 2010**Emissions by Source**

Global CO ₂ e Emissions ('000 tonnes)	2011	Percent to Scope 1 and 2 Reported Emissions 2011	2010
Mobile			
Jet-A	7,296	56.7%	6,948
Diesel	3,860	30.0%	3,965
Gasoline	547	4.2%	510
CNG	12	0.1%	12
Propane/LPG	37	0.3%	38
LNG	0.4	0.003%	0.4
HFC's (fugitive)	6.6	0.1%	6.6
Total	11,759	91.4%	11,480
Stationary			
Natural Gas	198	1.5%	208
Heating Oil	10	0.1%	12
Propane	14	0.1%	13
Electricity	891	6.9%	917
Subtotal	1,113	8.6%	1,150
Total Mobile and Stationary	12,872	100%	12,630

Note 6: Emissions by Greenhouse Gas Scope and Type for the year ended December 31, 2011 and 2010**2011 Emissions by Greenhouse Gas Scope and Type**

2011 Global CO ₂ e Emissions ('000 tonnes)	Carbon Dioxide (CO ₂)	Methane (CH ₄)	Nitrous Oxide (N ₂ O)	HFCs
Scope 1	11,881	6	87	6.6
Scope 2	887	0.4	4	n/a
Scope 3	8,742	8	80	n/a
Total	21,510	14.4	171	6.6

2010 Emissions by Greenhouse Gas Scope and Type

2010 Global CO ₂ e Emissions ('000 tonnes)	Carbon Dioxide (CO ₂)	Methane (CH ₄)	Nitrous Oxide (N ₂ O)	HFCs
Scope 1	11,620	5	81	6.6
Scope 2	913	0.4	4	n/a
Scope 3	9,754	10	91	n/a
Total	22,297	15.4	176	6.6

Note 7: Scope 3 Emissions by Source for the years ended December 31, 2011 and 2010

Scope 3 Emissions by Source		
Global CO₂e Emissions ('000 tonnes)	2011	2010
Total Scope 3 Emissions	8,831	9,865
Upstream		
1. Purchased goods & services	Not reported	Not reported
2. Capital Goods	Not reported	Not reported
3. Fuel & Energy Related (not incl. SC1&2)	1,451	1,181
<i>Jet-A (well to pump)</i>	<i>800</i>	<i>762</i>
<i>Diesel (well to pump)</i>	<i>311</i>	<i>323</i>
<i>Gasoline (well to pump)</i>	<i>100</i>	<i>93</i>
<i>CNG (well to pump)</i>	<i>3</i>	<i>3</i>
<i>Propane/LPG (well to pump)</i>	<i>7</i>	<i>0</i>
<i>LNG (well to pump)</i>	<i>0</i>	<i>Not reported</i>
<i>Natural Gas (stationary)</i>	<i>58</i>	<i>Not reported</i>
<i>Heating Oil (stationary)</i>	<i>0</i>	<i>Not reported</i>
<i>Propane (stationary)</i>	<i>2</i>	<i>Not reported</i>
<i>Electricity (T&D losses/generation of)</i>	<i>170</i>	<i>Not reported</i>
4. Transportation & Distribution	5,552	6,891
<i>Subcontracted Air</i>	<i>3,251*</i>	<i>4,331</i>
<i>Subcontracted Ground</i>	<i>1,411</i>	<i>1,294</i>
<i>Subcontracted Rail</i>	<i>339</i>	<i>320</i>
<i>Subcontracted Ocean</i>	<i>551*</i>	<i>946</i>
5. Waste Generated in Operations	22	Not reported
<i>Landfilled</i>	<i>22</i>	<i>Not reported</i>
<i>Incinerated</i>	<i>Not reported</i>	<i>Not reported</i>
<i>Recycled</i>	<i>Not reported</i>	<i>Not reported</i>
6. Business Travel	85	87
<i>Business travel - Air</i>	<i>39</i>	<i>41</i>
<i>Business travel - Rail</i>	<i>0</i>	<i>0</i>
<i>Business travel - Car Rental</i>	<i>14</i>	<i>15</i>
<i>Business travel - Personnel Vehicle</i>	<i>32</i>	<i>31</i>
7. Employee Commuting	1,673	1,651
<i>U.S. Pkg Ops</i>	<i>1,233</i>	<i>1,210</i>
<i>Int'l Pkg Ops</i>	<i>311</i>	<i>315</i>
<i>Global SC&F</i>	<i>129</i>	<i>126</i>
8. Leased Assets	Not applicable	Not applicable

* In 2011, an improvement in the data sources and a change in the emission factors used (ocean only) caused a portion of the difference in 2011 subcontracted ocean and air emissions over 2010.

Scope 3 Emissions by Source

Global CO ₂ e Emissions ('000 tonnes)	2011	2010
9. Transportation & Distribution	Not applicable	Not applicable
10. Processing of sold products	Not applicable	Not applicable
11. Use of sold products	Not applicable	Not applicable
12. End-of-Life Treatment of sold products	Not reported	Not reported
13. Leased Assets	Not reported	Not reported
14. Franchises	48	55
<i>UPS Stores - Electricity</i>	42	48
<i>UPS Stores - Natural Gas</i>	6	7
15. Investments	Not reported	Not reported

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

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

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

Note 9: Operational Boundary – Detailed Description Scope 3

Scope and Category	Category Description (WRI Standard)	Minimum Boundary (WRI Standard)	Emissions Included/Excluded (UPS scope & boundary)	% emissions calculated using data obtained from value chain partners
Upstream Scope 3 emissions				
1. Purchased Goods & Services	Extraction, production, and transportation of goods and services purchased or acquired by the reporting company in the reporting year, not otherwise included in Categories 2 - 8	All upstream (cradle-to-gate) emissions of purchased goods and services	Not reported by UPS this year. UPS intends to report on this category in the future. Source has been excluded due to lack of means to measure emission source	N/A
2. Capital Goods	Extraction, production, and transportation of capital goods purchased or acquired by the reporting company in the reporting year	All upstream (cradle-to-gate) emissions of purchased capital goods	Not reported by UPS this year. UPS intends to report on this category in the future. Source has been excluded due to lack of means to measure emission source	N/A
3. Fuel And Energy Related Activities Not Included In Scope 1 or 2	<p>Extraction, production, and transportation of fuels and energy purchased or acquired by the reporting company in the reporting year, not already accounted for in Scope 1 or Scope 2, including:</p> <p>a. Upstream emissions of purchased fuels (extraction, production, and transportation of fuels consumed by the reporting company)</p> <p>b. Upstream emissions of purchased electricity (extraction, production, and transportation of fuels consumed in the generation of electricity, steam, heating, and cooling consumed by the reporting company)</p> <p>c. Transmission and distribution (T&D) losses (generation of electricity, steam, heating and cooling that is consumed (i.e., lost) in a T&D system) – reported by end user</p> <p>d. Generation of purchased electricity that is sold to end users (generation of electricity, steam, heating, and cooling that is purchased by the reporting company and sold to end users) reported by utility company or energy retailer only</p>	<p>a. For upstream emissions of purchased fuels: All upstream (cradle-to-gate) emissions of purchased fuels (from raw material extraction up to the point of, but excluding combustion)</p> <p>b. For upstream emissions of purchased electricity: All upstream (cradle-to-gate) emissions of purchased fuels (from raw material extraction up to the point of, but excluding, combustion by a power generator)</p> <p>c. For T&D losses: All upstream (cradle-to-gate) emissions of energy consumed in a T&D system, including emissions from combustion</p> <p>d. For generation of purchased electricity that is sold to end users: Emissions from the generation of purchased energy</p>	<p>Includes the upstream (well-to-pump) emissions from raw material extraction up to the point of (but excluding) combustion for the following global fuel sources: Jet-A, Diesel, Gasoline, CNG, LPG, LNG, natural gas, heating oil and propane</p> <p>Includes the upstream emissions for the generation of purchased electricity and the transmission and distribution losses</p> <p>Exclusions: None</p>	100%

Scope and Category	Category Description (WRI Standard)	Minimum Boundary (WRI Standard)	Emissions Included/Excluded (UPS scope & boundary)	% emissions calculated using data obtained from value chain partners
Upstream Scope 3 emissions				
<p>4. Transportation & Distribution (Upstream)</p>	<p>Transportation and distribution of products purchased by the reporting company in the reporting year between a company's tier 1 suppliers and its own operations (in vehicles and facilities not owned or controlled by the reporting company)</p> <p>Transportation and distribution services purchased by the reporting company in the reporting year, including inbound logistics, outbound logistics (e.g., of sold products), and transportation and distribution between a company's own facilities (in vehicles and facilities not owned or controlled by the reporting company)</p>	<p>The Scope 1 and Scope 2 emissions of transportation and distribution providers that occur during use of vehicles and facilities (e.g., from energy use)</p> <p>Optional: The life cycle emissions associated with manufacturing vehicles, facilities, or infrastructure</p>	<p>*This category is partially reported, only includes Scope 1 emissions from 3rd party transportation companies</p> <p>The Scope 3 emissions from purchased transportation (air, ground, rail & ocean) for the pick-up, transportation and delivery of packages/freight for our global operations</p> <p>Includes emissions associated with:</p> <p>U.S. Package Operations</p> <ul style="list-style-type: none"> • Packages moved by third parties via small feeder aircraft or leased jet aircraft • Packages transported by rail in the U.S. • Packages transported by third-party carriers via tractor-trailers • Last-mile delivery of packages by the U.S. Postal Service • Packages picked up, transported and delivered by a third-party carrier in Alaska <p>International Package Operations</p> <ul style="list-style-type: none"> • Packages moved by third parties via chartered aircraft, leased jet aircraft, commercial airlines, or the air services of other small package delivery companies • Packages picked up, moved and delivered on the ground by third parties via tractor-trailers or the ground services of other small package delivery companies • Packages transported across the English Channel by third-parties via railroad or ferry • Packages transported by rail in Canada <p>Global Supply Chain & Freight</p> <ul style="list-style-type: none"> • Supply Chain Solutions: Mobile fuels to transport, pick up and deliver freight/packages by other third parties via air transport (chartered aircraft, other small package delivery companies and commercial airlines) • Supply Chain Solutions: Ground transport for pickup and delivery of freight/packages for our global supply chain operations (tractor-trailers, other small package delivery companies and courier services) • Supply Chain Solutions: Purchased ocean transport for our global supply chain operations • UPS Freight Operations: Mobile fuels for third-party pick-up, transport and delivery of freight in the U.S. and Canada via various modes of transport which include tractor-trailers, railroads, agents for pickup and delivery of freight and ocean transport of freight, typically to Hawaii, Puerto Rico and Alaska <p>Exclusions: Does not include any Scope 2 emissions from third party transportation companies. Does not include any optional Life Cycle Assessment (LCA) emissions. Source has been excluded due to lack of means to measure emission source</p>	<p>100%*</p>

Scope and Category	Category Description (WRI Standard)	Minimum Boundary (WRI Standard)	Emissions Included/Excluded (UPS scope & boundary)	% emissions calculated using data obtained from value chain partners
Upstream Scope 3 emissions				
5. Waste Generated In Operations	Disposal and treatment of waste generated in the reporting company's operations in the reporting year (in facilities not owned or controlled by the reporting company)	The Scope 1 and Scope 2 emissions of waste management suppliers that occur during disposal or treatment Optional: Emissions from transportation of waste	*This category is partially reported Includes the emissions that occur for landfilled wastes streams in the U.S. Exclusions: Emissions associated with recycling, incinerating and recovery of wastes in the U.S., in addition to emissions from wastes generated in operations outside of the U.S. Does not include any optional LCA emissions. Source has been excluded due to lack of means to measure emission source	100%*
6. Business Travel	Transportation of employees for business-related activities during the reporting year (in vehicles not owned or operated by the reporting company)	This category includes emissions from the transportation of employees and transportation activities in vehicles owned or operated by third parties, such as aircraft, trains, buses, and passenger cars. Optional: Emissions from hotel stays	Includes the emissions that occur from air and rail travel, rental cars and the use of personnel vehicles for business-related activities for our global operations Exclusions: Does not include any optional life cycle emissions from hotel stays. Source has been excluded due to lack of means to measure emission source	100%
7. Employee Commuting	Transportation of employees between their homes and their worksites during the reporting year (in vehicles not owned or operated by the reporting company)	The Scope 1 and Scope 2 emissions of employees and transportation providers that occur during use of vehicles (e.g., from energy use) Optional: Emissions from employee teleworking	Includes the emissions that occur for the transportation of our employees between their homes and their workplace for our global operations Exclusions: Does not include any optional emissions from employee teleworking. Source has been excluded due to lack of means to measure emission source	0%
8. Upstream Leased Assets	Operation of assets leased by the reporting company (lessee) in the reporting year and not included in Scope 1 and Scope 2 - reported by lessee	The Scope 1 and Scope 2 emissions of lessors that occur during the reporting company's operation of leased assets (e.g., from energy use) Optional: The life cycle emissions associated with manufacturing or constructing leased assets	Not Applicable - We do not report on this category since the category as described by the WRI Guidelines is not applicable to our business because upstream leased assets are included in our Scope 1 and 2 emissions	N/A
Downstream Scope 3 emissions				
9. Transportation & distribution	Transportation and distribution of products sold by the reporting company in the reporting year between the reporting company's operations and the end consumer (if not paid for by the reporting company), including retail and storage (in vehicles and facilities not owned or controlled by the reporting company)	The Scope 1 and Scope 2 emissions of transportation providers, distributors, and retailers that occur during use of vehicles and facilities (e.g., from energy use) Optional: The life cycle emissions associated with manufacturing vehicles, facilities, or infrastructure	Not Applicable - We do not report on this category since the category as described by the WRI Guidelines is not applicable to our business because UPS does not offer a sold product. For our sold service, emissions from non-UPS vehicles are reported in category 4 because they are purchased directly by UPS	N/A
10. Processing of sold products	Processing of intermediate products sold in the reporting year by downstream companies (e.g., manufacturers)	The Scope 1 and Scope 2 emissions of downstream companies that occur during processing (e.g., from energy use)	Not Applicable - We do not report on this category since the category as described by the WRI Guidelines is not applicable to our business because UPS does not offer an intermediate sold product	N/A

Scope and Category	Category Description (WRI Standard)	Minimum Boundary (WRI Standard)	Emissions Included/Excluded (UPS scope & boundary)	% emissions calculated using data obtained from value chain partners
Downstream Scope 3 emissions				
11. Use of sold products	End use of goods and services sold by the reporting company in the reporting year	The direct use-phase emissions of sold products over their expected lifetime (i.e., the Scope 1 and Scope 2 emissions of end users that occur from the use of: products that directly consume energy (fuels or electricity) during use; fuels and feedstocks; and GHGs and products that contain or form GHGs that are emitted during use) Optional: The indirect use-phase emissions of sold products over their expected lifetime (i.e., emissions from the use of products that indirectly consume energy (fuels or electricity) during use)	Not Applicable - We do not report on this category since the category as described by the WRI Guidelines is not applicable to our business because UPS does not offer an intermediate sold product	N/A
12. End-of-Life Treatment of sold products	Waste disposal and treatment of products sold by the reporting company (in the reporting year) at the end of their life	The Scope 1 and Scope 2 emissions of waste management companies that occur during disposal or treatment of sold products	Not reported by UPS this year. UPS intends to report on this category in the future. Source has been excluded due to lack of means to measure emission source	N/A
13. Downstream Leased Assets	Operation of assets owned by the reporting company (lessor) and leased to other entities in the reporting year, not included in Scope 1 and Scope 2 – reported by lessor	The Scope 1 and Scope 2 emissions of lessees that occur during operation of leased assets (e.g., from energy use). Optional: The life cycle emissions associated with manufacturing or constructing leased assets	Not reported by UPS this year. UPS intends to report on this category in the future. Source has been excluded due to lack of means to measure emission source	N/A
14. Franchises	Operation of franchises in the reporting year, not included in Scope 1 and Scope 2 – reported by franchisor	The Scope 1 and Scope 2 emissions of franchisees that occur during operation of franchises (e.g., from energy use) Optional: The life cycle emissions associated with manufacturing or constructing franchises	Estimated electricity and natural gas usage for over 4,700 UPS Stores serving the U.S., Canada and India Exclusions: Does not include any optional LCA emissions. Source has been excluded due to lack of means to measure emission source	0%
15. Investments	Operation of investments (including equity and debt investments and project finance) in the reporting year, not included in Scope 1 or Scope 2	The Scope 1 and Scope 2 emissions of the investee Optional: The Scope 3 emissions of the investee	Not reported by UPS this year. UPS intends to report on this category in the future. Source has been excluded due to lack of means to measure emission source	N/A

Independent Accountants' Examination Report

Deloitte & Touche LLP

We have examined the accompanying Statement of Greenhouse Gas Emissions ("Statement of GHG Emissions") of United Parcel Service, Inc. (the "Company") for the years ended December 31, 2011 and December 31, 2010. The Company's management is responsible for the Statement of GHG Emissions. Our responsibility is to express an opinion based on our examination.

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

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

As described in Notes 1 and 7, the Company is reporting on the following six of the fifteen Scope 3 categories described in the Greenhouse Gas Protocol Corporate Value Chain (Scope 3) Accounting & Reporting Standard: fuel and energy related activities, waste generated in operations, business travel, employee commuting, transportation and distribution, and franchises. As a result, Scope 3 emissions reported in the Statement of GHG Emissions do not represent a complete GHG emissions inventory of the Company for Scope 3.

In our opinion, the Statement of GHG Emissions referred to above for the years ended December 31, 2011 and December 30, 2010, is presented, in all material respects, in conformity with the Greenhouse Gas Protocol Corporate Accounting and Reporting Standard and the Corporate Value Chain (Scope 3) Accounting and Reporting Standard published by the World Business Council for Sustainable Development and the World Resources Institute.

May 30, 2012

Deloitte & Touche LLP

Appendix C: Independent Verification Statement

Société Générale de Surveillance

SGS United Kingdom Limited (SGS) has been contracted by United Parcel Service General Service Co. ("UPS") of 55 Glenlake Parkway, NE Atlanta, Georgia 30328 for the independent third party verification of direct and indirect carbon dioxide equivalent emissions (CO₂e) as provided in their 2011 GHG Assertion dated 14/5/2012. Verification was conducted in accordance with ISO 14064-3.

Roles and responsibilities

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

It is SGS' responsibility to express an independent GHG verification opinion on the emissions as provided in the UPS GHG Assertion for the period 01/01/2011 – 31/12/2011.

Title or description activities:

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

Scope 1 Emissions:

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

Scope 2 Emissions:

- Electricity use in UPS controlled facilities

Scope 3 Emissions:

- The upstream (well-to-pump) emissions from raw material extraction up to the point of (but excluding) combustion for Jet-A, Diesel, Gasoline, CNG and LPG
- Emissions that occur from air and rail travel, rental cars and the use of personnel vehicles for business related activities for UPS global operations
- Upstream employee commuting
- Electricity and gas consumption in franchised stores
- Emissions associated with outsourced upstream transportation including air, ground, rail and ocean

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

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

Objectives

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

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

Criteria

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

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

Level of Assurance and Materiality

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

Scope

- Reporting period - 1st January to 31st December 2011
- Intended user of the Verification Statement: UPS management, Carbon Disclosure Project, staff, stakeholders and general public.
- Location/boundary of the activities: worldwide
- Types of GHGs included: CO₂, CH₄, N₂O, HFCs
- Consolidation Approach: Operational Control

Conclusion

We planned and performed our work to obtain the information, explanations and evidence that we considered necessary to provide a reasonable level of assurance that the reported GHG emissions for the period are fairly stated

We conducted our verification with regard to the GHG assertion of UPS which included assessment of GHG information system and monitoring and reporting methodology. This assessment included the collection of evidence supporting the reported data, and checking whether the provisions of the standard and methodology referenced in the verification criteria, were consistently and appropriately applied

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

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

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

- The GHG inventory methodology applied by UPS is sound, valid and based on best practice
- The estimated annual emissions are accurate, complete, consistent, transparent and free of material error or omission in relation to the requirements of the calculation methodologies employed

UPS provided the GHG assertion based on the requirements of ISO14064-1: 2006.

The GHG information for the period 1st January 2011 to 31st December 2011 disclosing emissions of 21,703 thousand metric tonnes of CO₂ equivalent are verified by SGS to a reasonable level of assurance, consistent with the agreed verification scope, objectives and criteria.

Emissions by scope are verified as follows:

- Scope 1: 11,981 thousand tonnes of CO₂e
- Scope 2: 891 thousand tonnes of CO₂e
- Scope 3: 8,831 thousand tonnes of CO₂e

In addition to the emissions reported above, UPS has included in its GHG assertion that it has partially offset its emissions through the purchase and retirement of voluntary carbon offsets of twenty eight thousand six hundred ninety two tonnes of CO₂ equivalent, SGS has also verified that these credits have been retired and are from projects adhering to international quality standards. This verification is outside the scope of the ISO 14064-1:2006 inventory.

On behalf of
SGS United Kingdom Limited
22nd May 2012



Appendix D

Initiatives to Reduce Greenhouse Gas Emissions and Reductions Achieved

2011 Carbon Intensity Emissions Reductions

Emissions Reduction Description: The following three metrics are the components of the UPS Transportation Index	Absolute CO ₂ e emission avoided in 2011 (metric tonnes)	2011 CO ₂ e Intensity	2010 CO ₂ e Intensity	Comments
U.S. Domestic Package: Absolute CO ₂ e Avoided	84,588	2.63	2.68	
Contributing factors/initiatives: <ul style="list-style-type: none"> • Continuous innovation (page 72) • Telematics (page 80) • Alternative fuel/technology vehicles (page 83) • Other miles reduction initiatives • Improvement in trailer utilization (# of packages per trailer) 				<ol style="list-style-type: none"> 1) Scope is U.S. Domestic Package ground movements 2) CO₂e Intensity factor expressed in lbs CO₂e per Package 3) Avoided Absolute CO₂e = (2010 CO₂e Intensity x 2011 # of packages) - (2011 CO₂e Intensity x 2011 # of packages)
UPS Airlines: Absolute CO ₂ e Avoided	-95,571	1.42	1.40	
Contributing factors/initiatives: The negative number represents an increase in absolute emissions instead of a reduction. This is due to the loss of an aircraft. See page 76 for more details.				<ol style="list-style-type: none"> 1) Scope is UPS Airlines - Global Operations 2) CO₂e Intensity factor expressed in lbs CO₂e per ATM 3) Avoided Absolute CO₂e = (2010 CO₂e Intensity x 2011 ATM) - (2011 CO₂e Intensity x 2011 ATM)
U.S. Supply Chain & Freight: Absolute CO ₂ e Avoided	104,810	0.22	0.24	
Contributing factors/initiatives: <ul style="list-style-type: none"> • Integration of Freight and U.S. Domestic Package networks (page 85) • Telematics (page 80) 				<ol style="list-style-type: none"> 1) Scope is U.S. Supply Chain & Freight ground movements 2) CO₂e Intensity factor expressed in lbs CO₂e per lb of freight 3) Avoided Absolute CO₂e = (2010 CO₂e Intensity x 2011 lbs of freight) - (2011 CO₂e Intensity x 2011 lbs of freight)
Total	93,827 metric tonnes			

* Absolute CO₂e emissions avoided emissions in 2011 are estimated from the intensity factor improvements from 2010 to 2011

2011 Intermodal Shift Emissions Reductions

Emissions Reduction Description	Absolute CO ₂ e emission avoided in 2011 (metric tonnes)
Air to Ground Mode Shift (U.S. Package Operations), see page 68 for more details	2,273,317
Ground to Rail Mode Shift (U.S. Package Operations), see page 68 for more details	829,671
Total	3,102,988

Absolute CO₂e emissions avoided emissions in 2011, due to intermodal shifts that occur in the U.S. Domestic Package

EN3, EN4, EN5, EN6, EN7

Appendix E

Enterprise Energy Performance

Energy Performance

Global Energy ('000 GJs)	2011	2010	% Change 11/10
Direct Energy	169,427	165,728	2.2%
Indirect Energy	5,713	5,745	-1.0%
Total Energy	175,140	171,473	2.1%

2011 by Business Unit

(Arrows relative to 2010 figures)

Global Energy ('000 GJs)	U.S. Pkg Ops	Int'l Pkg Ops	Global SC&F	Totals
Direct Energy	93,985 ↓	61,810 ↑	13,631 ↓	169,429 ↓
Indirect Energy	4,066 ↓	592 ↓	1,056 ↑	5,689 ↓
Total Energy	98,051 ↓	62,402 ↑	14,687 ↓	175,118 ↑

2010 by Business Unit

Global Energy ('000 GJs)	U.S. Pkg Ops	Int'l Pkg Ops	Global SC&F	Totals
Direct Energy	94,165	56,907	14,656	165,728
Indirect Energy	4,103	597	1,045	5,745
Total Energy	98,268	57,504	15,701	171,473

2011 Energy Intensity

(Arrows relative to 2010 figures)

Global Energy ('000 GJs / \$M Revenue)	U.S. Pkg Ops	Int'l Pkg Ops	Global SC&F	Totals
Revenue in millions	\$31,717	\$12,249	\$9,139	\$53,105
Direct Energy	2.963 ↓	5.046 ↓	1.492 ↓	3.191 ↓
Indirect Energy	0.128 ↓	0.048 ↑	0.116 ↓	0.107 ↓
Total Energy	3.091 ↓	5.094 ↓	1.608 ↓	3.298 ↓

2010 Energy Intensity

Global Energy ('000 GJs / \$M Revenue)	U.S. Pkg Ops	Int'l Pkg Ops	Global SC&F	Totals
Revenue in millions	\$29,742	\$11,133	\$8,670	\$49,545
Direct Energy	3.166	5.112	1.690	3.345
Indirect Energy	0.138	0.054	0.121	0.116
Total Energy	3.304	5.165	1.811	3.461

Energy by Source

Global Energy ('000 MWh and '000 GJs)	2011 MWhs	2011 GJs	Percent to Total Emissions 2011	2010 GJs
Direct Energy				
Jet-A	28,618	103,025	58.8%	98,117
Diesel	14,822	53,359	30.5%	54,814
Gasoline	2,209	7,953	4.5%	7,410
CNG	61	221	0.1%	224
Propane/LPG	165	593	0.3%	625
LNG	3	11	0.0%	8.9
Natural Gas	1,085	3,907	2.2%	4,124
Heating Oil	38	138	0.1%	185
Propane	61	221	0.1%	220
Facility Solar Power Used	0.2	0.7	0.0%	0.4
Total	47,063	169,427	96.7%	165,729
Indirect Energy				
Electricity	1,587	5,713	3.3%	5,745
Grand Total	48,650	175,140	100.0%	171,474

Energy Saved Due to Conservation and Efficiency Improvements

Energy Efficiency Improvements and Initiatives

	Absolute Energy avoided in 2011 (gigajoules)	2011 Energy Intensity	2010 Energy Intensity	
U.S. Domestic Package: Absolute Energy Avoided	1,556,755*	28.78	29.23	
Contributing factors / initiatives:				1) Scope is U.S. Domestic Package Operations
• Continuous innovation (page 72)				2) Energy Intensity factor expressed in gigajoules per 1,000 Packages.
• Telematics (page 80)				3) Includes all direct and indirect energy usage for this specific business segment
• Alternative fuel/technology vehicles (page 83)				4) Avoided Absolute Energy = (2010 Energy Intensity x 2011 # of packages) -(2011 Energy Intensity x 2011 # of packages)
• Air fleet efficiencies (page 75)				
• Facility conservation (page 86)				
• Other miles reduction initiatives				
• Improvement in trailer utilization (# of packages per trailer)				
International Package: Absolute Energy Avoided	-2,197,888*	102.97	99.34	
Contributing factors / initiatives:				1) Scope is international Package Operations
The negative number represents an increase in absolute emissions instead of a reduction. This is due to the loss of an aircraft. See page 76 for more details.				2) Energy Intensity factor expressed in gigajoules per 1,000 Packages.
				3) Includes all direct and indirect energy usage for this specific business segment
				4) Avoided Absolute Energy = (2010 Energy Intensity x 2011 # of packages) -(2011 Energy Intensity x 2011 # of packages)
Global Supply Chain & Freight: Absolute Energy Avoided	1,642,497*	1.35	1.50	
Contributing factors / initiatives:				1) Scope is Global Supply Chain & Freight Operations
• Integration of Freight and U.S. Domestic Package networks (page 85)				2) Energy Intensity factor expressed in gigajoules per 1,000 lbs of freight hauled.
• Telematics (page 80)				3) Includes all direct and indirect energy usage for this specific business segment
				4) Avoided Absolute Energy = (2010 Energy Intensity x 2011 lbs of freight) -(2011 Energy Intensity x 2011 lbs of freight)
Total	1,001,365 gigajoules			

* Absolute energy avoided in 2011 were estimated from the energy intensity factor improvements from 2011 to 2010

Initiatives to Reduce Indirect Energy Consumption

Initiatives to reduce indirect energy consumption	Number of commuters registered	Vehicle Miles Avoided	CO ₂ Emissions Reduced (metric tonnes)
UPS Corporate Office Employee Commuting Program	930	2,502,549	1,526

UPS corporate office employee commuting program includes; carpool, vanpool, bus, train, shuttle, bicycle, walk and no travel due to teleworking from home.

Appendix F

UPS Environmental Policy Statement and Environmental Guidance Statements

UPS Environmental Policy Statement.

We Strive to Protect the Environment for Our People and Our Communities. We consider the environmental impact of our business and operations. Our responsibility for the environment ranges from the construction, maintenance, and operation of our facilities to the maintenance and operation of our fleets—both ground and air—to the conservation of resources.

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

We comply with current and applicable regulatory and government agency requirements and seek to anticipate and lead in complying with such requirements.

Environmental Guidance Statements.

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

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

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

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

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

Petroleum Storage Systems.

We will maintain systems with high standards for corrosion protection, spill, and overflow prevention and release detection. We will maintain spill contingency plans and regularly monitor our systems for product

releases. We will respond to releases of product without delay, assess the environmental impact, and take appropriate remedial action.

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

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

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

- Transportation network optimization to minimize the miles driven/ flown
- Investments in fuel-saving technologies to reduce our dependency on fossil based fuels
- Energy conservation via facility design, operational practices, renewable energy and retrofitting
- Maintain long standing engagements with globally recognized institutions, standards, and reporting processes
- Offer a wide portfolio of logistic and reporting services to help customers manage, reduce and mitigate their environmental impact

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

Appendix G

GRI Index

The entire Report was prepared at the A+ level and independently assured by Deloitte & Touche LLP to achieve the level A+. GRI checked the Report and confirmed its adherence to the guidelines for A+ level reporting.

Legend

●	Fully Reported	◐	Partially Reported
○	Not Reported	N/A	Not Applicable to UPS

G3 Indicator	Description	2011 Response	
Strategy & Analysis			
1.1	Statement from the most senior decision-maker of the organization about the relevance of sustainability to the organization and its strategy.	Letter from chairman, p. 3	●
1.2	Description of key impacts, risks and opportunities.	Letter from chairman, p. 3 ; Profile, p. 17-18, 21-24 ; Environment, p. 103	●
Organizational Profile			
2.1	Name of Organization	Cover	●
2.2	Primary brands, products, and/or services.	Profile, p. 1-2, 18 ; Marketplace, p. 49 ; 2011 Annual report on Form 10-K, p. 3-8; www.investors.ups.com	●
2.3	Operational structure of the organization, including main divisions, operating companies, subsidiaries, and joint ventures.	Profile, p. 18 ; 2011 Annual report on Form 10-K, p. 1-4; www.investors.ups.com	●
2.4	Location of organization's headquarters.	Profile, p. 18	●
2.5	Number of countries where the organization operates, and names of countries with either major operations or that are specifically relevant to the sustainability issues covered in the Report.	Profile, p. 18 ; 2011 Annual report on Form 10-K, p. 1-8; www.investors.ups.com	●
2.6	Nature of ownership and legal form.	2011 Annual report on Form 10-K; www.investors.ups.com	●
2.7	Markets served (including geographic breakdown, sectors served, and types of customers/beneficiaries).	2011 Annual report on Form 10-K, p. 1-8; www.investors.ups.com	●
2.8	Scale of the reporting organization, including number of operations.	p. 4 ; Profile, p. 18 ; www.investors.ups.com	●
2.9	Significant changes during the reporting period regarding size, structure, or ownership.	Profile, p. 18	●
2.10	Awards received in the reporting period.	Recognition, p. 4, 17, 56, 57, 62, 108	●
Report Parameters			
3.1	Reporting period (e.g., fiscal/calendar year) for information provided.	Profile, p. 18	●
3.2	Date of most recent previous Report (if any).	2010	●
3.3	Reporting cycle (annual, biennial, etc.)	Annual	●
3.4	Contact point for questions regarding the Report or its contents.	p. 13	●
3.5	Process for defining report content.	Profile, p. 23 ; Scope and boundary, p. 25 ; Materiality, p. 25-27	●
3.6	Boundary of the report (e.g., countries, divisions, subsidiaries, leased facilities, joint ventures, suppliers). See GRI Boundary Protocol for further guidance.	Profile, p. 23 ; Scope and boundary, p. 25	●
3.7	State any specific limitations on the scope or boundary of the report (see completeness principle for explanation of Scope).	Profile, p. 18 ; Scope and boundary, p. 60, 61, 63, 64, 66, 67, 95, 103	●
3.8	Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations, and other entities that can significantly affect comparability from period to period and/or between organizations.	Profile, p. 18 ; Scope and boundary, p. 25	●

3.9	Data measurement techniques and the bases of calculations, including assumptions and techniques underlying estimations applied to the compilation of the Indicators and other information in the Report. Explain any decisions not to apply, or to substantially diverge from, the GRI Indicator Protocols.	About this report p. 13, 14 ; Profile, p. 18, 21, 22-28 ; Appendix B, p. 140-150	●
3.10	Explanation of the effect of any re-statements of information provided in earlier reports, and the reasons for such re-statement (e.g., mergers/acquisitions, change of base years/periods, nature of business, measurement methods).	Profile, p. 18, 21, 22-28 ; Environment, p. 66, 95 ; Community, p. 136 ; Lost time injuries, p. 139 ; Appendix B, p. 140, 145	●
3.11	Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the Report.	Profile, p. 18, 21-28 ; Environment, p. 66, 95 ; Community, p. 136 ; Appendix B, p. 140, 145	●
3.12	Table identifying the location of the Standard Disclosures in the Report.	Appendix A, p. 139 ; Appendix G, p. 157	●
3.13	Policy and current practice with regard to seeking external assurance for the Report.	Description, p. 14 ; Assurance statements, p. 19, 20	●
Governance, Commitments, And Engagement			
4.1	Governance structure of the organization, including committees under the highest governance body responsible for specific tasks, such as setting strategy or organizational oversight.	Governance, p. 31-32	●
4.2	Indicate whether the Chair of the highest governance body is also an executive officer.	Governance, p. 31	●
4.3	For organizations that have a unitary board structure, state the number and gender of members of the highest governance body that are independent and/ or non-executive members.	Governance, p. 31 ; www.investors.ups.com	●
4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body.	Governance, p. 31 ; www.investors.ups.com	●
4.5	Linkage between compensation for members of the highest governance body, senior managers, and executives (including departure arrangements), and the organization's performance (including social and environmental performance).	Governance, p. 31 ; Compensation committee charter and director compensation pages, www.investors.ups.com	●
4.6	Processes in place for the highest governance body to ensure conflicts of interest are avoided.	Governance, p. 31 ; Operating responsibly, p. 47-50	●
4.7	Process for determining the composition, qualifications, and expertise of the members of the highest governance body and its committees, including any consideration of gender and other indicators of diversity.	Governance, p. 31 ; Board of directors includes people with broad knowledge and experience in the area of sustainability; www.investors.ups.com	●
4.8	Internally developed statements of mission or values, codes of conduct, and principles relevant to economic, environmental, and social performance and the status of their implementation.	Profile, p. 31 ; Operating responsibly, p. 47-50 ; Environmental compliance, p. 99 ; Safety, p. 112 ; Diversity and equal opportunity, p. 117	●
4.9	Procedures of the highest governance body for overseeing the organization's identification and management of economic, environmental, and social performance, including relevant risks and opportunities, and adherence or compliance with internationally agreed standards, codes of conduct, and principles.	CEO letter, p. 3 ; Profile, p. 22-24 ; Governance, p. 31-32 ; www.investors.ups.com	●
4.10	Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental, and social performance.	Governance, p. 22, p. 31-32 ; Corporate governance, www.investors.ups.com	●
4.11	Explanation of whether and how the precautionary approach or principle is addressed by the organization.	Corporate governance guidelines at www.investors.ups.com	●
4.12	Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organization subscribes or endorses.	UPS corporate sustainability priorities, p. 23 ; KPIs and goals, p. 24 ; Profile, p. 28, 32 ; Governance principles and guidelines, p. 28, 31, 32 ; Environmental, p. 59-61, 63, 66, 67, 72-75, 86, 88, 92-94, 161, 140-142 ; Workplace, p. 112, 121 ; Community, p. 128	●

4.13	Memberships in associations (such as industry associations) and/or national/international advocacy organizations in which the organization: *Has positions in governance bodies; *Participates in projects or committees; *Provides substantive funding beyond routine membership dues; or *Views membership as strategic.	Materiality, p. 25-26; Profile, p. 29-30, 32-36; Environment, p. 73, 74; UPS Green Fleet, p. 84; Community Safety, p. 133	●
4.14	List of stakeholder groups engaged by the organization.	Collaborations, p. 10; Materiality, p. 25-27; Profile, p. 25-27, 32; Environment, p. 73, 74	●
4.15	Basis for identification and selection of stakeholders with whom to engage.	CEO letter, p. 3; Materiality, p. 25-27; Governance, p. 32; Community, 33-34; Environment, p. 73, 74	●
4.16	Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group.	Collaborations, p. 10; Materiality, p. 25-27; Community, p. 33-34	●
4.17	Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns, including through its reporting.	Materiality, p. 25-27; Profile, p. 32, 33-34; Environment, p. 73, 74	●
Environment			
DMA	Goals and performance	Environment, p. 56-57; KPI chart, p. 56	●
DMA	Policy	Environment, p. 59, 156	●
DMA	Organizational responsibility	Chief sustainability officer letter, p. 21	●
DMA	Training and awareness	Environment, p. 59	●
DMA	Monitoring and follow up	Environment, p. 59	●
EN1	Materials used by weight or volume.	UPS provides a service and does not manufacture a product. Direct materials purchased totaled 43,024 U.S. tons of packaging and paper products globally in 2011 and no non-renewable materials were purchased or used.	●
EN2	Percentage of materials used that are recycled input materials.	75%. For a breakdown of the percent of recycled content in all UPS packaging, see link at www.ups.com/environment	●
EN3	Direct energy consumption by primary energy source.	Appendix E, p. 154, 155	●
EN4	Indirect energy consumption by primary source.	Appendix E, p. 155	●
EN5	Energy saved due to conservation and efficiency improvements.	Environment, p. 64, 65, 67, 68, 72, 78-87; Appendix E, p. 154-155	●
EN6	Initiatives to provide energy-efficient or renewable energy based products and services, and reductions in energy requirements as a result of these initiatives.	Environment, p. 87-90, 92; Appendix E, p. 154-155	●
EN7	Initiatives to reduce indirect energy consumption and reductions achieved.	Appendix E, p. 154-155	●
EN8	Total water withdrawal by source.	Water, p. 94-96	●
EN9	Water sources significantly affected by withdrawal of water.	Not reported	○
EN10	Percentage and total volume of water recycled and reused.	Not reported	○
EN11	Location and size of land owned, leased, managed in or adjacent to, protected areas and areas of high biodiversity value outside protected areas.	We do not report on this issue because it is not material to our business. Our management approach to biodiversity primarily concerns the location and management of our facilities and preventing transportation of invasive species. We set the criteria for our site selection, land purchases and related facilities to prevent negative impact.	○
EN12	Description of significant impacts of activities, products and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas.	Not material, see EN11	○
EN13	Habitats protected or restored.	Not reported	○
EN14	Strategies, current actions, and future plans for managing impacts on biodiversity.	Biodiversity, p. 101	●
EN15	Number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk.	Not reported	○

EN16	Total direct and indirect greenhouse gas emissions by weight.	Environment, p. 65, 67, 76, 79 ; KPI chart, p. 139 ; Appendix B, p. 140-150	●
EN17	Other relevant indirect greenhouse gas emissions by weight.	Environment, p. 65, 67, 76, 79 ; Appendix B, p. 140-150	●
EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved.	Ground fleet efficiency, p. 78-80, 83-86 ; GHG strategy, p. 68-70 ; Air fleet efficiency, p. 76-77 ; Continuous innovation, p. 81-82 ; Facilities and energy conservation, p. 86 ; Appendix D, p. 153-155	●
EN19	Emissions of ozone-depleting substances by weight.	We do not report on this issue. The GRI guidelines are not applicable to our business because we are a service company that does not manufacture a product.	N/A
EN20	NO _x , SO _x , and other significant air emissions by type and weight.	Ground fleet efficiency, p. 79 ; Appendix A, p. 139 ; The methodology used for calculations is based on default data.	●
EN21	Total water discharge by quality and destination.	We do not report on this issue. It is not material to our business. Discharge waters from UPS facilities are typically from domestic sewage and vehicle washing which are collected and sent to treatment per local compliance.	○
EN22	Total weight of waste by type and disposal method.	Effluents and waste, p. 96-98	●
EN23	Total number and volume of significant spills.	Compliance, p. 99-100	●
EN24	Weight of transported, imported, exported or treated waste deemed hazardous under the terms of the Basel Convention Annex I, II, III, and VIII, and percentage of transported waste shipped internationally.	Not reported	○
EN25	Identity, size, protected status and biodiversity value of water bodies and related habitats significantly affected by the reporting organization's discharges of water and runoff.	Not reported	○
EN26	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation.	GHG strategy, p. 68-70 ; Air fleet efficiency, p. 76-77 ; Ground fleet efficiency, p. 78-80, 83-86 ; Continuous innovation, p. 81-82 ; Carbon neutral shipping, p. 87-90 ; Effluents and waste, p. 96-98	●
EN27	Percentage of products sold and their packaging materials that are reclaimed by category.	We do not yet report on this because we have been unable to gather the data. Reclaiming UPS packaging is less of an environmental impact if reclaimed locally by the customer.	○
EN28	Monetary value of significant fines and total number of non-monetary sanctions for noncompliance with environmental laws and regulations.	Compliance, p. 99-100	●
EN29	Significant environmental impacts of transporting products and other goods and materials used for the organization's operations, and transporting members of the workforce.	Carbon intensity, p. 22 ; Management approach, p. 57 ; Appendix B, p. 140	●
EN30	Total environmental protection expenditures and investments by type.	Not reported	○
Human Rights			
DMA	Goals and performance	p. 122	●
DMA	Policy	Workplace, p. 122	●
DMA	Organizational responsibility	Workplace, p. 122	●
DMA	Training and awareness	Workplace, p. 109, 122	●
DMA	Monitoring and follow up	Workplace, p. 109, 122	●
HR1	Percentage and total number of significant investment agreements and contracts that include clauses incorporating human rights concerns, or that have undergone human rights screening.	Zero	●
HR2	Percentage of significant suppliers, contractors, and other business partners that have undergone human rights screening, and actions taken.	Zero	●

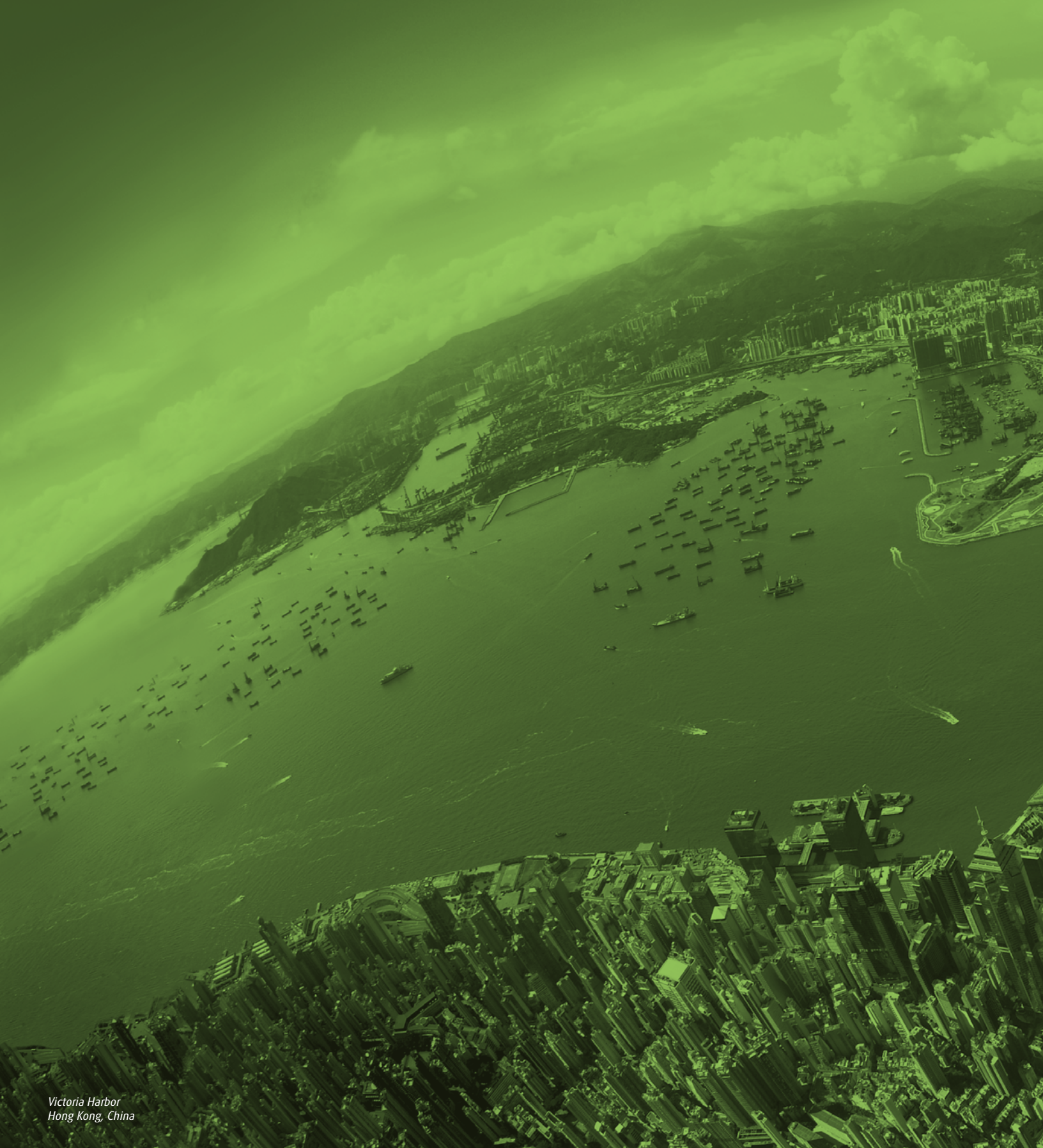
HR3	Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained.	Workplace, p. 117 ; Our Human Rights Statement is incorporated into our Code of Conduct, which is available online with our other governance documents. Compliance and ethics training is completed every year by approximately 43,200 full-time managers and specialists (96.3 percent) with a goal of 100 percent participation. Because the training is conducted online, we do not have a total number of training hours available.	●
HR4	Total number of incidents of discrimination and actions taken.	We do not report on this disclosure since the information is proprietary.	○
HR5	Operations and significant suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk, and actions taken to support these rights.	In 2011, we identified no operations in which the right to freedom of association and collective bargaining was at significant risk.	●
HR6	Operations and significant suppliers identified as having significant risk for incidents of child labor, and measures taken to contribute to the effective abolition of child labor.	We are not aware of any incidents, violations, complaints or concerns in our operations involving the use of child labor or forced or compulsory labor in 2011.	●
HR7	Operations and significant suppliers identified as having significant risk for incidents of forced or compulsory labor, and measures to contribute to the elimination of all forms of forced or compulsory labor.	We are not aware of any incidents, violations, complaints or concerns in our operations involving the use of child labor or forced or compulsory labor in 2011.	●
HR8	Percentage of security personnel trained in the organization's policies or procedures concerning aspects of human rights that are relevant to operations.	100 percent of UPS's security personnel receive training on human rights issues relevant to our operations.	●
HR9	Total number of incidents of violations involving rights of indigenous people and actions taken.	We are not aware of any incidents, violations, complaints or concerns in our operations involving the rights of indigenous people in 2011.	●
HR10	Percentage and total number of operations that have been subject to human rights reviews and/or impact assessments.	Zero	●
HR11	Number of grievances related to human rights filed, addressed and resolved through formal grievance mechanisms.	We do not report on this disclosure since the information is proprietary.	○
Labor Practices & Decent Work			
DMA	Goals and performance	KPI chart, p. 108, 110, 119 ; Workplace, p. 110	●
DMA	Policy	Workplace, p. 110, 119	●
DMA	Organizational responsibility	Workplace, p. 109	●
DMA	Training and awareness	Workplace, p. 109, 115	●
DMA	Monitoring and follow up	Workplace, p. 109	●
DMA	Key success and shortcomings	Workplace, p. 110, 120	●
LA1	Total workforce by employment type, employment contract, and region, broken down by gender.	Workplace, p. 111 ; Infographic, p. 116	●
LA2	Total number and rate of new employee hires and employee turnover by age group, gender, and region.	Workplace, p. 110 ; We currently do not report by age, gender, and region. We are developing the necessary reporting capability and intend to report this by 2014.	○
LA3	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by significant locations of operations.	Workplace, p. 114	●
LA4	Percentage of employees covered by collective bargaining agreements.	Workplace, p. 120	●
LA5	Minimum notice period(s) regarding operational changes, including whether it is specified in collective agreements.	The collective bargaining agreement between UPS and the International Brotherhood of Teamsters, which represents the majority of our non-management employees, requires a minimum of 45 days notice prior to any significant operational change. In addition, certain provisions in our Independent Pilots Association and International Association of Machinists and Aerospace Workers agreements have notice requirements if certain changes are made. Other work councils in non-U.S. markets have similar notification requirements that are governed by local law and/or local agreement terms.	●

LA6	Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programs.	Workplace, p. 112	●
LA7	Rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities, by region and by gender.	Workplace, p. 112, 113 ; In 2011, 19 percent of injuries in the U.S., Canada, and Puerto Rico involved women. We currently do not report by gender and region globally. We are developing the necessary reporting capability and intend to report this by 2014.	⦿
LA8	Education, training, counseling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases.	Workplace, p. 114	●
LA9	Health and safety topics covered in formal agreements with trade unions.	All of our collective bargaining agreements contain provisions that address the Health and Safety of our employees. These agreements include but are not limited to: hazardous materials handling, vehicle and personal safety, Health and safety committees, accidents, equipment and reports.	●
LA10	Average hours of training per year per employee by gender, and by employee category.	Workplace, p. 115 ; We do not report average hours of training per employee by gender, because we have been unable to gather the data at this level. We are developing the necessary reporting capability and intend to report this by 2014.	⦿
LA11	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings.	Workplace, p. 115-116	●
LA12	Percentage of employees receiving regular performance and career development reviews, by gender.	Workplace, p. 115	●
LA13	Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership, and other indicators of diversity.	The Board and its committees perform annual self-evaluations. The Board is composed of nine men and three women; 11 directors are white and one is African American. All are over 50 years of age. Diversity is one of the factors taken into consideration in placing new directors on the board.	●
LA14	Ratio of basic salary and remuneration of men to women to men by employee category, by significant locations of operation.	We do not report on this disclosure since the information is proprietary.	○
LA15	Return to work and retention rates after parental leave, by gender.	UPS offers maternity and paternity leave across the world, guided by local laws and regulations. We have not historically tracked this information separately as a category. In 2012, we established a leave management system and plan to report this information in the future.	○
Society			
DMA	Goals and performance	KPI chart, p. 24 ; Workplace, p. 110 ; Community, p. 126	●
DMA	Policy	Workplace, p. 109 ; Community, p. 125, 127	●
DMA	Organizational responsibility	Workplace, p. 109 ; Community, p. 127	●
DMA	Training and awareness	Community, p. 127-128	●
DMA	Monitoring and follow up	Workplace, p. 109 ; Community, p. 127-128	●
S01	Percentage of operations with implemented local community engagement, impact assessments, and development programs.	The UPS Foundation, p. 127 ; We plan to report additional corporate responsibility metrics in 2013 and 2014.	⦿
S02	Percentage and total number of business units analyzed for risks related to corruption.	In 2011, we conducted audits in 16 countries where we operate business units, including businesses where we have both direct and third-party business relationships.	●
S03	Percentage of employees trained in organization's anti-corruption policies and procedures.	Compliance and ethics training is completed every year by approximately 43,200 full-time managers and specialists. This represents 93.6 percent participation with a goal of 100 percent.	●
S04	Actions taken in response to incidents of corruption.	UPS is not aware of any allegations of corruption in 2011 from any government agency around the world responsible for oversight of this issue.	●
S05	Public policy positions and participation in public policy development and lobbying.	Public policy, p. 35-36 ; We plan to report additional public policy positions in 2013 and 2014.	⦿

S06	Total value of financial and in-kind contributions to political parties, politicians, and related institutions by country.	Public policy, p. 35-36; In 2011, The UPS Political Action Committee donated approximately US\$2.08 million in the US to candidates at the federal, state and local levels. UPS considers additional disclosures to be proprietary.	●
S07	Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices and their outcomes.	Code of conduct, p. 48	●
S08	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations.	On occasion, UPS resolves routine civil administration matters and associated penalties when they arise. However we are not aware of any breaches of compliance that are material to our operations or penalties that are material to company assets.	●
S09	Operations with significant potential or actual negative impacts on local communities.	We do not report on this item because it is not material to our organization as described in our Materiality Matrix analysis.	○
S010	Prevention and mitigation measures implemented in operations with significant potential or actual negative impacts on local communities.	We do not report on this item because it is not material to our organization as described in our Materiality Matrix analysis.	○
Product Responsibility			
DMA	Goals and performance	Marketplace, p. 47-50	●
DMA	Policy	Marketplace, p. 47-50	●
DMA	Organizational responsibility	Marketplace, p. 47-50	●
DMA	Training and awareness	Marketplace, p. 47-50	●
DMA	Monitoring and follow up	Marketplace, p. 47-50	●
PR1	Life cycle stages in which health and safety impacts of products and services are assessed for improvement, and percentage of significant products and services categories subject to such procedures.	We do not report on this item because it is not applicable as we do not manufacture products.	○
PR2	Total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services during their life cycle by type of outcomes.	We do not report on this item because it is not applicable as we do not manufacture products.	○
PR3	Type of product and service information required by procedures and percentage of significant products and services subject to such information requirements.	We do not report on this item because it is not applicable as we do not manufacture products.	○
PR4	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling by type of outcomes.	UPS is not aware of any allegations of non compliance with regulations regarding product and service information and labeling in 2011 from any government agency around the world responsible for oversight of this issue	●
PR5	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction.	UPS monitors customer comments via internal and external sources. UPS conducts research throughout the year to better serve our customers' needs. Our CSI program measures customer satisfaction on an annual basis. Between early March and late September, we interview our customers and those of our competitors. We developed these questions from extensive customer focus groups and probe areas of satisfaction, dissatisfaction and loyalty.	●
PR6	Programs for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion, and sponsorship.	We diligently review all materials that are publicly released by UPS to confirm that information we provide is factual and appropriate. Additionally, we require that any company wishing to use our logo or information about our company or services submit a sample of the usage for us to review.	●
PR7	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications including advertising, promotion and sponsorship by type of outcome.	UPS is not aware of any allegations of non compliance with regulations regarding marketing communications including advertising, promotion and sponsorship in 2011 from any government agency around the world responsible for oversight of this issue.	●
PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data.	Not reported	○

PR9	Monetary value of significant fines for noncompliance with laws and regulations concerning the provision and use of products and services.	2011 Annual report, Form 10-K, p. 100-101; investors.shareholders.com/ups	●
Economic			
DMA	Goals and performance	2011 Annual report on Form 10-K, p. 27	●
DMA	Policy	2011 Annual report on Form 10-K, p. 27	●
DMA	Key successes and shortcomings	2011 Annual report on Form 10-K, p. 27	●
EC1	Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments.	Profile, p. 18 ; Marketplace, p. 44	●
EC2	Financial implications and other risks and opportunities for the organization's activities due to climate change.	Profile, p. 22 ; 2011 Annual report on Form 10-K, p. 15; investors.shareholders.com/ups	●
EC3	Coverage of the organization's defined benefit plan obligations.	2011 Annual report on Form 10-K, p. 79	●
EC4	Significant financial assistance received from government.	We do not report on this disclosure since the information is proprietary.	○
EC5	Range ratios of standard entry level wage compared to local minimum wage at significant locations of operations.	We do not report on this disclosure since the information is proprietary.	○
EC6	Policy, practices, and proportion of spending on locally-based suppliers at significant locations of operation.	Marketplace, p. 41, 45 ; While we encourage appropriate procurement from local suppliers around the world, we did not collect consistently defined spending data for each of the thousands of facilities we operate globally. We are developing the necessary reporting capability and intend to present relevant figures for 2013 and beyond.	●
EC7	Procedures for local hiring and proportion of senior management hired from the local community at locations of significant operation.	We strive to recruit, train and develop people from the local community, both in the U.S. and in our international locations. Among employees overall, less than half of one percent of our managers, including senior managers, come from outside the country where they worked in 2011.	●
EC8	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in kind or pro bono engagement.	Profile, p. 5-6 ; Contribution to society, p. 11-12 ; Commitments to external initiatives, p. 32 ; Community, p. 130, 133-134 ; No community needs assessments were conducted.	●
EC9	Understanding and describing significant indirect economic impacts, including the extent of impacts.	Profile, p. 22 ; Marketplace, p. 45	●
Logistics And Transportation			
LT1	Number of ships controlled by the reporting organization	Not applicable	N/A
LT2	Breakdown of fleet composition	Environment, p. 75, 83	●
LT3	Description of policies and programs on the management of environmental impacts, including: initiatives on sustainable transportation (e.g., hybrid vehicles); modal shift; and route planning.	GHG strategy, p. 68-70 ; Ground fleet efficiency, p. 78-85 ; Continuous innovation, p. 81-82	●
LT4	Description of initiatives to use renewable energy sources and to increase energy efficiency.	Fuel efficiency measures, p. 68 ; Ground and air efficiencies, p. 68 ; Environment, p. 86-87 ; Facilities, solar project, p. 86 ;	●
LT5	Description of initiatives to control urban air emissions in relation to road transport (e.g., use of alternative fuels, frequency of vehicle maintenance, driving styles, etc.).	Ground fleet efficiency, p. 78-85 ; GHG strategy, p. 86-87 ; Continuous innovation, p. 81-82	●
LT6	Description of policies and programs implemented to manage the impacts of traffic congestion (e.g., promoting off-peak distribution, new inner city transport modes, percentage of delivery by modes of alternative transportation).	GHG strategy, p. 68-70 ; Ground fleet efficiency, p. 78-85 ; Continuous innovation, p. 81-85	●
LT7	Description of policies and programs for noise management/abatement.	Environmental chart for aircraft, p. 75	●
LT8	Description of environmental impacts of the reporting organization's major transportation infrastructure assets (e.g., railways) and real estate. Report the results of environmental impact assessments.	Not reported	○

LT9	Description of policies and programs to determine working hours and rest hours, rest facilities, and leave for those driving and operating fleets.	Occupational health and safety, p. 112-114	●
LT10	Describe approaches to provision of facilities to enable mobile workers to maintain personal communications while working.	Not applicable	N/A
LT11	Description of policies and programs regarding substance abuse (e.g., training and campaigns).	Workplace, p. 114	●
LT12	Number of road fatalities of drivers or third parties per million kilometers driven.	Workplace, p. 113	●
LT13	List the incidents when ships have been detained by port inspectors, including the following details:	Not applicable	N/A
LT14	Description of policies and programs for public access to mail services (e.g., distance to postal office and mail boxes).	Not applicable	N/A
LT15	Provision of logistics and transportation core competencies to deliver humanitarian needs locally and globally measured in terms of: e.g., tons carrying capacity; person months; expenditure, value (fair market terms), and in kind contributions in disaster preparedness and response.	p. 6, 11-12 ; Community, p. 131, 133-134	●
LT16	Criteria for selecting recruitment and placement services. State how these criteria relate to existing international standards such as the conventions of the International Labor Organization (ILO).	Workplace, p. 116	●
LT17	Describe measures in place to provide income security and employment continuity for workers employed/contracted repeatedly but not continuously.	Not reported	○



Victoria Harbor
Hong Kong, China
