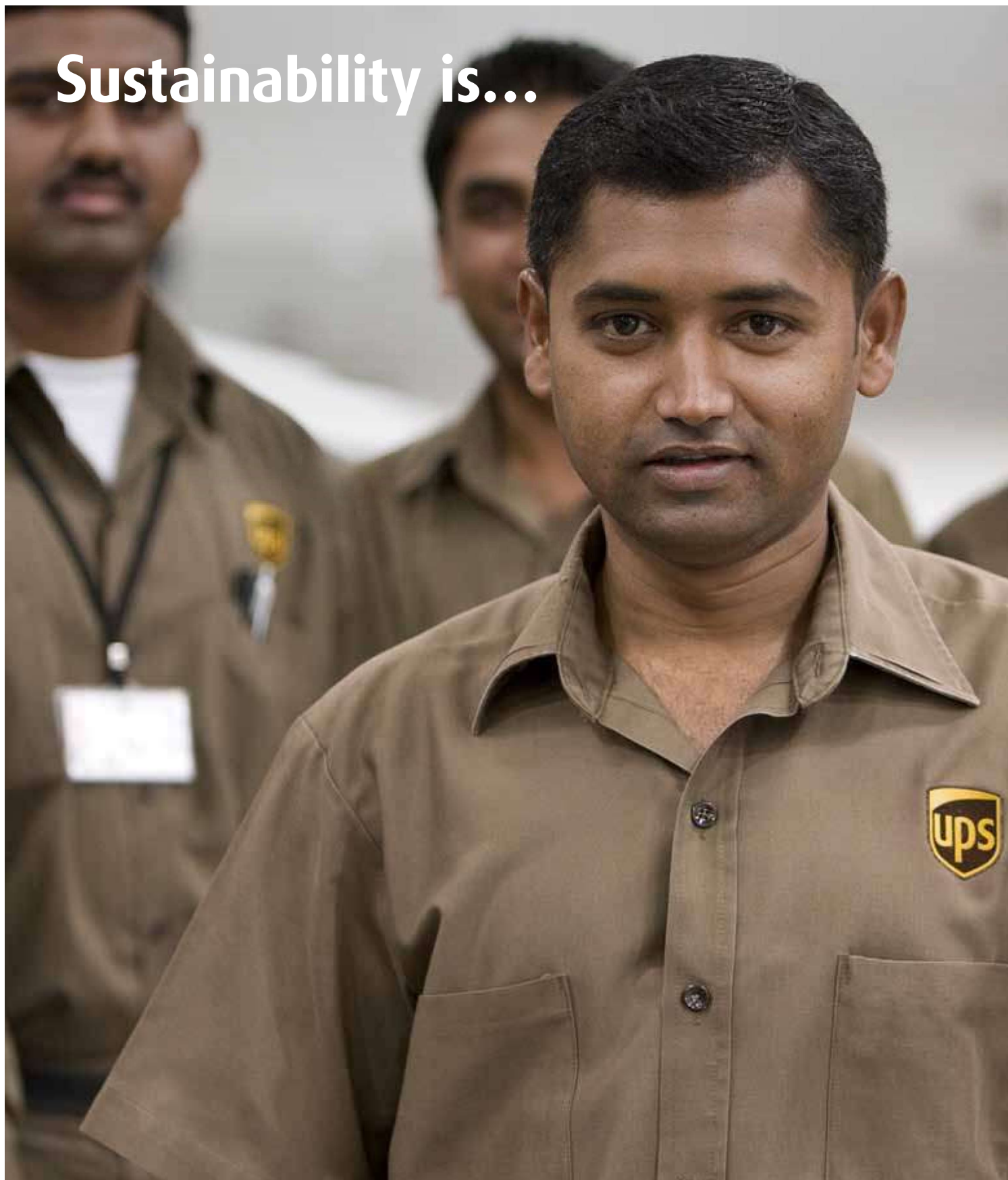


Sustainability is...



A man with a short beard and mustache, wearing a brown UPS uniform, is smiling and holding a cardboard box. The background is a blurred warehouse or industrial setting with various equipment and lights.

United Parcel Service™

*On the cover, from left:*  
Prasad Gudala, Driver  
Mohammed Azer, Loader  
Nizamudeen Khan, Driver  
Dubai, United Arab Emirates

UPS delivery drivers are the most visible members of a 400,600-person team that brings UPS logistics expertise to 8.5 million customers around the world.

Renault Dasque, Package Sorter  
Brooklyn, New York

UPS operates more than 1,900 alternative fuel vehicles and offers customers sustainable packaging expertise through its Eco Responsible Packaging Program.

▶ Visit [www.ups.com/ecoresponsible](http://www.ups.com/ecoresponsible) to read more about these initiatives.

**Sustainability is Renault  
loading an alternative  
fuel vehicle with  
Eco Responsible packaging.**



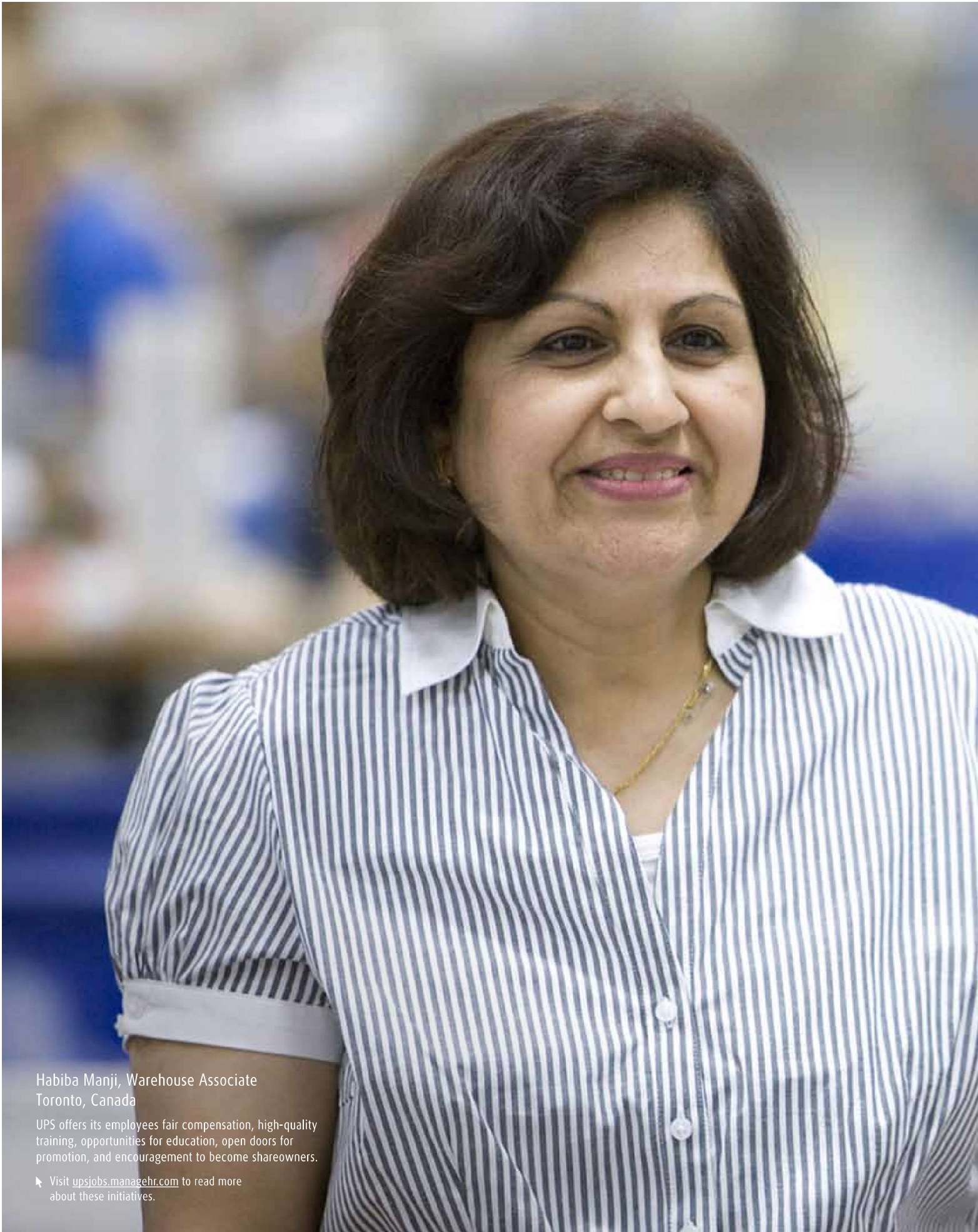
# Sustainability is John coordinating disaster relief with UPS global logistics expertise.

John Vera, Health and Safety Manager  
Americas Region  
Miami, Florida

UPS committed more than US\$1 million in cash and in-kind donations for disaster relief following the Haiti earthquake in January 2010.

▶ Visit [www.pressroom.ups.com/Media+Kits/Global+Humanitarian+Relief](http://www.pressroom.ups.com/Media+Kits/Global+Humanitarian+Relief) to read more about these initiatives.





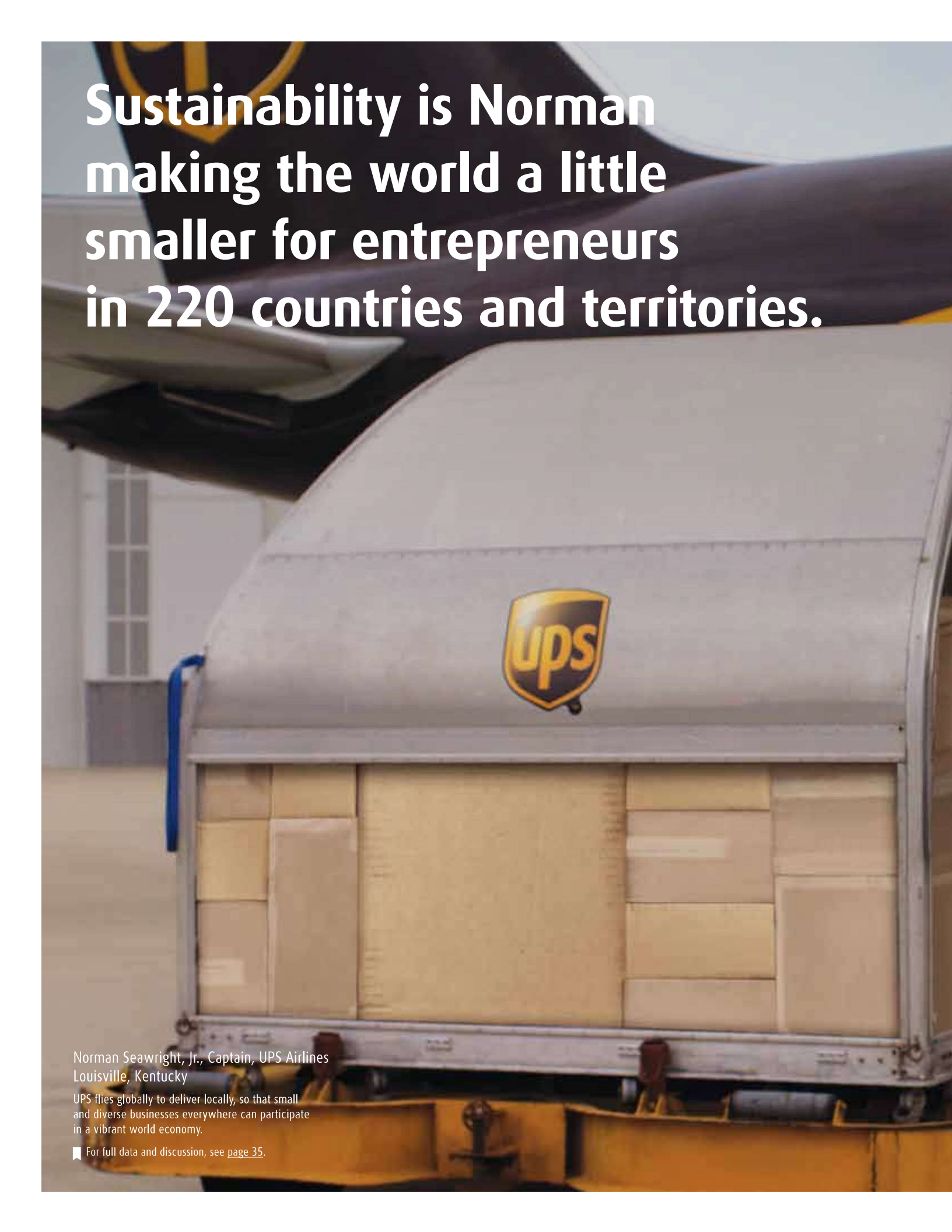
Habiba Manji, Warehouse Associate  
Toronto, Canada

UPS offers its employees fair compensation, high-quality training, opportunities for education, open doors for promotion, and encouragement to become shareowners.

➤ Visit [upsjobs.managehr.com](https://upsjobs.managehr.com) to read more about these initiatives.

**Sustainability is a workplace  
where Habiba can learn and  
develop throughout her career.**





**Sustainability is Norman  
making the world a little  
smaller for entrepreneurs  
in 220 countries and territories.**

Norman Seawright, Jr., Captain, UPS Airlines  
Louisville, Kentucky

UPS flies globally to deliver locally, so that small  
and diverse businesses everywhere can participate  
in a vibrant world economy.

■ For full data and discussion, see [page 35](#).





# UPS At-A-Glance

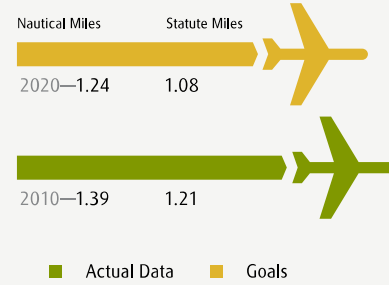
## 2010 Global Enterprise CO<sub>2</sub>e by Business Segment (thousand metric tonnes)

	U.S. Domestic Package	International Package	Supply Chain & Freight	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
Carbon Offsets Retired				3.1
2010 Net Global CO <sub>2</sub> e Emissions				22,492

UPS continued to increase the breadth and accuracy of its reporting on greenhouse gas emissions, particularly with Scope 3...

For full data and discussion, see [page 40](#).

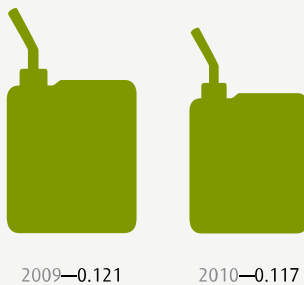
## CO<sub>2</sub> Pounds per Available Ton Mile



...and continued to reduce the normalized emissions of UPS Airlines in pursuit of an ambitious environmental goal for 2020.

For full data and discussion, see [page 50](#).

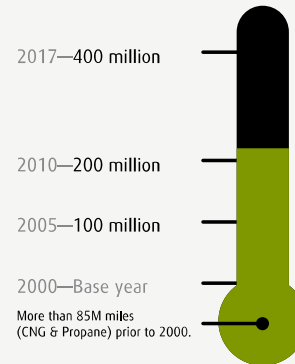
## Gallons of Fuel per Ground Package (U.S. Domestic Package)



With its decarbonization synergy strategy, UPS is integrating technological, mechanical and human factors to make the logistics of package delivery more fuel- and emissions-efficient.

For full data and discussion, see [page 47](#).

## Miles Logged in Alternative Fuel and Advanced Technology Vehicles



As part of the company's "rolling laboratory" strategy, UPS has rolled up more than 200 million miles in alternative fuel and advanced technology vehicles since 2000.

For full data and discussion, see [pages 47-49](#).

## Total Charitable Contributions (The UPS Foundation)



Total charitable contributions by The UPS Foundation rose in 2010, including substantial support for environmental organizations...

For full data and discussion, see [page 74](#).

## 2010 Charitable Contributions (Humanitarian Relief)



...and a record high level of total contributions for humanitarian relief including projects in Haiti and Chile and work with global relief agencies.

For full data and discussion, see [page 74](#).

# Highlights and Recognition

## 2010 Operations at a Glance All data for 2010

Headquarters	United States—Atlanta, Georgia
Employees	400,600
Ground fleet	99,795 vehicles
Therein: alternative fuel fleet	1,914 vehicles
Air fleet in service	216 aircraft
Daily Shippers	1.1 million (average per business day)
Packages Delivered	3.94 billion
Average Daily Volume	15.6 million
Net Revenue	US\$49.6 billion
Net Income	US\$3.5 billion

To learn more, visit:  
<http://pressroom.ups.com/About+UPS>

## Achievements

2010 greenhouse gas inventory verified by Société Générale de Surveillance and assured by Deloitte & Touche LLP

Reported global enterprise CO<sub>2</sub>e emissions for Scopes 1, 2 and 3

Reported on five categories of the new Scope 3 (corporate value chain) standard for greenhouse gas emissions

Set an EPA Climate Leaders goal to reduce UPS Transportation Index 5 percent by 2017

Total miles driven in alternative fuel/advanced technology vehicles passed 200 million

Mapped water risk to UPS facilities worldwide using the World Business Council for Sustainable Development Global Water Tool

UPS carbon neutral service expanded to 36 countries of origination and any destination

Total UPS Foundation charitable contributions increased to US\$46.5 million

All-time donations to United Way campaigns surpassed US\$1 billion

Employees again logged 1.2 million volunteer hours with a smaller workforce

## Recognition

*FORTUNE* magazine—World's Most Admired Companies (#1 in Social Responsibility in the world, #1 in Mail, Package and Freight Delivery industry)

Ethisphere Institute—World's Most Ethical Companies

*Corporate Responsibility* magazine—100 Best Corporate Citizens (#46)

Climate Counts—Top 10 ranking (#9 across all industries, #1 in consumer shipping)

Dow Jones Sustainability Index—Inclusion on the North America Index

Human Rights Campaign—2010 Best Places to Work for LGBT Equality (100 percent score)

To learn more, visit:  
<http://pressroom.ups.com/About+UPS/Awards>



# Letter from the Chairman

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Scott Davis

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As sustainability continues to rise in importance as a critical global business issue, UPS is committed to stepping up its disclosure, actions and goals to match these growing expectations. Our theme of “Sustainability is...” highlights the reality that sustainability is a dynamic term defined by our stakeholders and that ultimately it is our employees who deliver on the promise of responsible behavior. This report demonstrates our ambitions and achievements.

Our objective with this 2010 report is to present our long-term approach to operating a sustainable, responsible business. We include not only our own operations but also how we interact with our industry peers, governments, NGOs, our customers and our neighbors spread across the world. We are diligently seeking to collect more extensive accurate data and to measure our impact. We are following established international reporting standards.

More than just numbers, we also have sought to provide more context, expanding our explanation of the scope and boundaries of our data, the materiality of our reporting, and the merit of our actions. We believe that this is the most credible way for us to help customers, investors, and other stakeholders to judge our sustainability performance against our competitors.

Some of the areas where we have expanded our reporting include water usage, Scope 3 emissions, the financial value of our in-kind transportation donations to charity, our engagements for disaster relief and humanitarian logistics, our decarbonization strategy, and our carbon neutral shipping service.

We also have added some statements authored by stakeholders who work closely with UPS. Rigoberto Giron from the humanitarian agency CARE talks about how UPS’s logistics expertise is improving the delivery

of aid around the world; Tracy Nilles of United Way writes about how UPS became the first company in the social agency’s history to contribute US\$1 billion; David Foster of the BlueGreen Alliance shares how UPS is joining with leading unions such as the International Brotherhood of Teamsters and environmental groups to show the link between environmentally-responsible business practices and job creation.

Certainly economic health is a topic that UPS finds integral to its future. Our belief is that to be a truly sustainable business, companies need to understand their impact on the planet and then proactively work with others to generate positive output. As a global logistics partner for millions of shippers, we know that our efforts to conserve resources and act responsibly directly affects our customers’ impact.

This sustainability report outlines how UPS’s business model supports social, environmental and economic value not only today but for the long run.

*D. Scott Davis*

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MARKETPLACE

## New Logistics for a Global Economy.

UPS is one of the world’s largest private logistics organizations and a global leader in supply chain management. Our mission is to increase the efficiency and reduce the environmental impact of global commerce by combining the shipping activities of our customers into a single, highly efficient logistics network. We translate this expertise into convenient services with a wide range of price points and delivery speeds, including options tailored to specific industries. We deliver packages each business day for 1.1 million shippers to 7.4 million consignees in more than 220 countries and territories. In 2010, we delivered an average of 15.6 million pieces per day worldwide, or a total of 3.94 billion packages.

UPS has been a marketplace innovator for more than a century, and we maintained that pace in 2010. Among the highlights was expanding our carbon neutral service to 36 countries. This service enables customers to easily and inexpensively mitigate the carbon impact of their shipments, either on demand with individual shipments or collectively. UPS was also announced as the Official Logistics and Express Delivery Supporter of the London 2012 Olympic and Paralympic Games, due in part to our ability to help make the London Games the greenest ever.

Our philanthropic contribution remained at a high level and continued to increase its international reach. UPS, its families and The UPS Foundation, donated more than US\$97 million to community-based organizations around the world. UPS employees and their families contributed an additional US\$48.7 million to the United Way campaign in North America and donated 1.2 million volunteer hours in communities around the world. We continued to support humanitarian relief efforts, such as in Haiti and Pakistan, by combining cash donations with in-kind donations of transport for relief agencies and volunteer work by UPS logistics experts on the ground.

In 2010, UPS provided employment to more than 400,600 people around the world and paid more than US\$2.7 billion in taxes. Our total return to shareholders increased 27 percent in 2010, further benefiting the 92,678 of our employees who are also shareholders. In addition to these direct contributions to the world’s economic health, UPS makes an indirect contribution by providing small and diverse businesses with procurement contracts and local access to a global logistics network. For example, UPS spent approximately US\$826 million in procurement with small and diverse businesses in 2010, and maintained approximately 62,000 retail points of presence around the world to make it easy for small and diverse businesses to export their products almost anywhere. More than 4,700 of these outlets are The UPS Stores®, which are operated by independent entrepreneurs.



We deliver packages each average business day for 1.1 million shippers to 7.4 million delivery customers in more than 220 countries and territories.



Learn about The New Logistics. [www.thenewlogistics.com](http://www.thenewlogistics.com)



Our total return to shareholders increased 27 percent in 2010.

 To see the GRI-G3.1 reporting on Marketplace, visit [page 33](#).

# Greener Games: UPS Brings The New Logistics to London 2012



In 2012, UPS will deliver the most sustainable approach ever to an enormous peacetime logistics challenge: the summer Olympics. The London 2012 Organizing Committee intends to put on a low-carbon Games and showcase ways the world can adapt more effectively to climate change. To help achieve this vision, the Committee announced that UPS is its Official Logistics and Express Delivery Supporter of the London 2012 Olympic and Paralympic Games. All told, UPS expects 30 million pieces of Games-related inventory to pass through its warehouses in England.

UPS already has numerous capabilities for achieving the Committee's four major sustainability strategies. These strategies are listed in bold below, with UPS capabilities following:

**Avoid 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.

**Reduce use of energy and other resources.** Our telematics system combines 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. For the Games, we

intend to introduce telematics into England. We expect to generate zero waste to landfill from our Games-related activities, by reducing, reusing and recycling.

**Replace conventional systems with lower-carbon alternatives.** UPS already operates a number of advanced technology vehicles in London, and we plan to increase the fleet in order to leave a long-term, positive legacy following the Games. We are also exploring a range of options for the energy required to operate our fixed facilities such as warehouses in London.

**Compensate for unavoidable emissions.** Our advanced measurement capabilities enable us to capture and report emissions—both for our operations and for the services we provide to customers. We also purchase credible, third-party-certified carbon offsets for our carbon neutral shipping service. We have already committed to showcase this combination by measuring and offsetting emissions associated with our customer hospitality activities during the Games. We are making this same opportunity available to other Official Supporters of the Games.

For more information on UPS and the London 2012 Olympic Games, visit [www.london2012.ups.com](http://www.london2012.ups.com)

## ENVIRONMENT

## The Logistics of Environmental Leadership.

The logistics and transportation sector of the global economy is energy-intensive by nature, because it involves moving things from one place to another – often under tight deadlines. At UPS, we have systematically reduced the relative environmental consequences of our economic activity for decades (see [page 37](#)).

We began using low-emission rail transport for longer-distance shipments in 1966, and have seamlessly integrated air, rail and ground transportation within our global network. This enables us to flexibly and fluidly select the lowest-carbon route for customer shipments that still meets our delivery commitments. We scale this approach up to billions of shipments each year, effectively “decarbonizing” our customers’ logistics.

We also work continually to optimize each individual transport mode. We began investing in quieter, more fuel-efficient jet engines and aircraft long before other companies in our sector, and we continue to pioneer new, more efficient ways to fly them. Nearly 40 percent of our U.S. ground delivery fleet is equipped with our telematics system that gathers and reports data on all aspects of a vehicle’s operation, so that we can optimize our routes, driving behaviors, maintenance schedules and more. We were the first delivery company in the U.S. to operate alternative-fuel vehicles, beginning in 1935. Today our international ground fleet includes more than 1,900 alternative fuel and advanced technology vehicles using propane, liquefied natural gas, compressed natural gas, hybrid electric, and all electric drive trains.

We began developing responsible packaging more than a decade ago, when we worked with the Environmental Defense Fund to increase post-consumer recycled content in our express envelopes and boxes. We have continued to innovate in eco-friendly packaging since that time. UPS was also the first major small package carrier to offer its customers the ability to offset the carbon dioxide emissions generated by the transport of their packages within the United States.

All these examples of environmental leadership stem from our expertise in logistics. One of our fundamental logistics capabilities is gathering and analyzing information about how we operate, down to a fine level of detail, using advanced information technology. This in turn enables us to report on our environmental impacts accurately and comprehensively. For example, we were among the first companies in our sector to report a global enterprise inventory of emissions (as defined by the Greenhouse Gas Protocol), including “Scope 3” emissions that are generated by other companies from activities conducted for UPS.

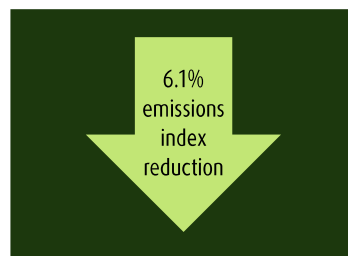
Another fundamental logistics capability at UPS is putting information to work on a broad scale without delay. For example, when data shows that changing driving behavior in a certain way can improve fuel conservation, we can quickly implement the change for more than 100,000 drivers. This is one of the reasons we were able to increase the miles per gallon (MPG) in our U.S. Domestic Package segment by 7.8 percent during the past decade.

We apply the same logistics principles with our air fleet, our facilities management, waste management, our responsible packaging, our recycling and other environmental efforts. We learn what works, we apply it quickly and broadly, and we keep improving it over time.

In 2010, we continued to engage with other sustainability leaders to advance global environmental efforts. We joined the World Business Council for Sustainable Development (WBCSD) and adopted its Global Water Tool. We also became an Organizational Stakeholder of the Global Reporting Initiative and began reporting five of the 15 categories included in the new Greenhouse Gas Protocol Corporate Value Chain (Scope 3) Accounting & Reporting Standard. Internally, we set a new goal to further increase MPG in our U.S. Domestic Package segment, and prepared to replace a number of retiring diesel trucks in our ground fleet with trucks powered by lower-emission liquefied natural gas.



Nearly 40 percent of our U.S. ground delivery fleet (23,598) is equipped with our telematics system. Canada operates an additional 386 delivery vehicles.



We achieved a 6.1 percent emissions reduction in our Transportation Index, exceeding our EPA Climate Leaders goal for the year.

To see the GRI-G3.1 reporting on Environment, visit [page 37](#).



# Innovating for the Environment Since 1933



1907

UPS Founded

1913

Begins consolidating deliveries

1933

Deploys vehicles powered by electricity

1966

Begins use of rail

1980s

DC-8 aircraft meet Stage III noise requirements

1982

Deploys vehicles fueled with propane

1985

Deploys vehicles fueled with compressed natural gas (CNG)

1989

Purchases first 757 aircraft

1990

Introduces the DIAD (Delivery Information Acquisition Device)

1992

Delivers in 220 countries and territories

1994

Deploys vehicles fueled with liquefied natural gas (LNG)

1995

Re-engines 727-100 aircraft for noise reduction and fuel efficiency

1998

Introduces vehicles with hybrid electric drivetrains (HEV)

Partners with EDF for responsible packaging

2003

Deploys hydrogen fuel cell vehicles

2006

Deploys vehicles with hybrid hydraulic drivetrain (HHV)

2008

Retires last 727 aircraft

Entire airfleet meets Stage IV noise requirements

Powers distribution facility with Bloom Energy fuel cell

2009

Introduces carbon neutral shipping within the U.S.

2010

Deployment of proprietary telematics system reaches 40 percent of U.S. ground delivery fleet

Expands carbon neutral shipping to anywhere in the world from 36 countries

Introduces the Eco Responsible Packaging Program

Extends proprietary telematics system to freight operations

WORKPLACE

## Our Workplace is the World.

During 2010, UPS delivery drivers delivered more than 3.94 billion packages, averaging 7.4 million consignees per day in more than 220 countries and territories. In other words, the typical UPS workplace is not necessarily in a building. For many UPS workers, the workplace is the world.

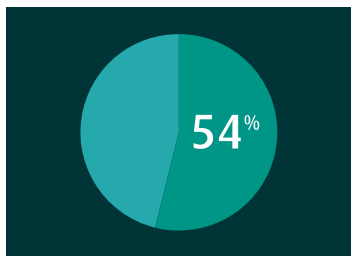
Our delivery drivers must work on their own under constantly changing conditions of weather, traffic and shipping volumes. They must be efficient and effective with their vehicles and information tools at all times, and maintain full concentration on safety. They must be friendly and understanding with customers for long hours each day. And they must do it all on deadline. In short, we are asking them to make extraordinary behavior their normal behavior on the job.

We ask the same of all the people who make our drivers a success, including loaders, planners, mechanics, analysts, IT specialists, service representatives and more. This is why we are highly selective in our hiring, and why we invest so much time and money in helping our people perform at a high level, day in and day out, around the world. In 2010, our total investment in training was more than US\$325 million, with 54 percent of the total devoted to safety training. We also provided approximately US\$24 million to employees who were enrolled in schools or colleges outside the workplace, and provided health benefits to more than 780,000 employees, retirees, and their dependents.

Four of our key performance indicators for sustainability focus on the safety and satisfaction of our workers. These include KPIs for employee turn-over and employee satisfaction as well as for auto accidents and on-job injuries. We also track other metrics aimed at recognizing individual performance. One of the most prestigious

of these is the UPS “Circle of Honor,” which drivers enter only after 25 years without an avoidable accident. In 2010, the Circle of Honor grew by 1,135 people—the largest one-year increase ever.

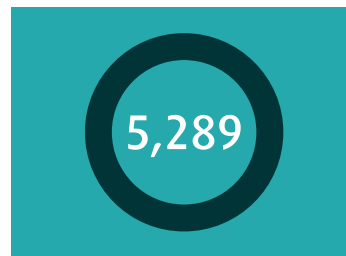
The biggest change in our workplace in 2010 was a reorganization of our U.S. Domestic Package segment, which eliminated approximately 1,800 management and administrative positions. We offered voluntary severance packages to approximately 1,100 people and provided other affected employees with severance benefits and support services. In other notable workplace developments, we promoted 2,642 part-time employees to full-time work, and promoted 1,174 employees to management. We are committed to stable, successful relationships with all the collective bargaining associations that represent UPS workers, around the world. In 2010, we successfully completed new agreements with a number of union organizations around the world.



In 2010, our total investment in training was more than US\$325 million, with 54 percent of the total devoted to safety training.



We promoted 1,174 employees to management.



Collectively, the 5,289 drivers in the Circle of Honor have logged more than 5 billion miles and more than 147,244 years of safe driving through their careers.

 To see the GRI-G3.1 reporting on Workplace, visit [page 67](#).



## The UPS Circle of Honor: Five Billion Miles of Safe Driving



When your workplace is in the driver's seat, you must learn to expect the unexpected. In factories and warehouses, the routine is just that: routine. On a busy high-speed highway or a crowded urban core, there is no routine. Every other driver is a new variable. That's why all UPS drivers are taught safe driving methods beginning on the first day of their classroom training, including the company's comprehensive defensive driving course. Training in driving safely continues throughout their careers.

One thing UPS drivers learn is that while they carry the expectations of customers, they also stand for hundreds of thousands of fellow employees who work hard to make UPS a flawless logistics machine. A customer pick-up on one end is a promise that something will be delivered on the other end.

UPS drivers perform at such a high level that we had to set a high bar to honor them with exceptional performance. We call it the "Circle of Honor." It is truly an honor at UPS because so many people at all levels of the company have been drivers and know what it takes. To achieve entry, UPS employees must drive for the company for 25 years without an avoidable accident.

In 2010, 1,135 drivers reached that milestone. It was the largest group ever for a single year, and also the most international. Germany inducted 24 drivers into the Circle of Honor, and Canada inducted seven. In the first possible year of eligibility for drivers in Puerto Rico, three drivers showed flawless performance since UPS entered the United States territory. Our dedicated force of veteran female drivers sent 14 women to the Circle of Honor in 2010.

Meanwhile, many other members of the Circle of Honor are maintaining their perfect records long after 25 years. Collectively, the 5,289 drivers in the Circle of Honor have logged more than 5 billion miles and more than 147,244 years of safe driving through their careers. That's enough miles to circle the earth 188,000 times. Tractor-trailer driver Ron Sowder began his 50th year of accident-free driving in 2010. His female counterpart is tractor-trailer driver Ginny Odom (pictured above), in her 37th year.

For more information about the Circle of Honor, visit <http://tinyurl.com/UPSCircleofHonor>

COMMUNITY

## Strong Communities Strengthen Our Company.

The UPS logistics network is international enough to span the globe, yet local enough to reach into every corner of the world economy. This combination of global perspective and local knowledge enables us to understand our responsibility to society in two ways: at a high level, transcending countries and cultures, and at the intimate level of the people who share their streets, offices and front porches with UPS people every business day.

Our dual perspective strongly influences many sustainability activities at UPS, including our corporate philanthropy and employee volunteer programs. (For beneficial economic impacts on society, see [pages 73-75](#). For corporate governance, anti-corruption and compliance issues, see [pages 77-78](#).)

Corporate philanthropy is conducted primarily by The UPS Foundation, which donated US\$46.5 million in cash and in-kind support to benefit nearly 3,000 nonprofit organizations in 2010. The percentage of The Foundation’s grants directed outside the U.S. continued to increase in 2010, reaching 20 percent of the total. Approximately half of all Foundation grants are local in nature, and most recipients of local grants are recommended by UPS employees who already volunteer for the organization. The remainder of The Foundation’s grants are international or national in scope, and aim to improve opportunities for broad classes of society. A primary example is our multi-year, on-going support for the World Association of Girl Guides and Girl Scouts (WAGGGS), which supports young women to develop their full potential as responsible citizens of the world. Another example is our long-standing support for leading humanitarian aid agencies including The American Red Cross, CARE, UNICEF, the U.N. World Food Programme, and the Aidmatrix Foundation.

Our relationships with humanitarian aid agencies has helped us develop strong logistics expertise and capabilities in disaster relief, which we have put to the test after major disasters in the Philippines, American Samoa, China, Myanmar and across the United States in recent years. We brought all this experience to our disaster relief efforts in 2010, including major responses to the earthquake in Haiti and floods in Pakistan. We also responded when 33 miners were trapped in Chile (see [page 76](#)).

Our local support for strong communities was proven again by UPS employees who maintained their extraordinary generosity with both time and money. Local nonprofit organizations around the world received more than 1.2 million hours of volunteer time from UPS employees in 2010. The high point of the year was Global Volunteer Month, in October 2010, when more than 30,000 people in 50 countries donated more than 170,000 hours of time to local nonprofits. In North America, UPS employees also raised US\$48.7 million for United Way, a nonprofit organization dedicated to improving education, financial stability and health for lower-income, at-risk youths and families.



Local nonprofit organizations around the world received more than 1.2 million hours of volunteer time from UPS employees in 2010.



Total charitable contributions around the world increased to US\$97.1 million, benefiting nearly 3,000 nonprofit organizations.



UPS responded to the Haiti earthquake on Day 1, pledging donations totaling more than US\$1 million in cash, logistics support and in-kind movements.

 To see the GRI-G3.1 reporting on Community visit [page 73](#).

# Helping People Help Themselves is not Charity. It's Humanity.



UPS has consistently responded to major humanitarian crises around the world with funds and in-kind support. So when a major earthquake struck the island nation of Haiti on January 12, 2010, UPS swung into action the same day.

We immediately committed US\$1 million in cash and in-kind support for the Haitian relief effort. Funds were directed to our humanitarian aid partners CARE, The U.N. World Food Programme and The American Red Cross, to ensure that the money was managed by experts with experienced teams on the ground. We also began shipping the donations of other organizations into Haiti without charge. For example, UPS Canada delivered more than 7 tons (6,350 kg) of medical supplies for children's aid agency World Vision Canada, and expedited the shipment by lending the agency its expertise in international customs clearance. These vital early relief supplies arrived just days after the quake hit, despite fractured local infrastructure.

UPS personnel were soon on the ground in Haiti, some using their own vacation time to volunteer for the relief effort. UPS workers spent time in Haiti, performing a range of tasks from passing out meals to supervising warehouse and distribution operations for aid agencies. Our financial and in-kind support eventually exceeded the original commitment.

One notable contribution was providing customized UPS Trackpad® technology to a major Salvation Army relief camp in Port au Prince. Before that point, camp organizers had only paper index cards to help ensure equitable daily distribution of food and other supplies for thousands of individuals and families. UPS volunteer Craig Arnold envisioned a better way. Days later, a UPS relief plane delivered weatherproof barcode tokens with the names and locations of everyone in the camp. Workers passed out the barcodes, then simply scanned them each day using UPS Trackpad® technology to make sure camp residents received their distribution. UPS logistics experts configured the specialized system and donated it to the Salvation Army, along with their time and the necessary equipment.

Later in 2010, disaster struck again when 33 miners were trapped more than 2,000 feet (610 meters) below the earth's surface. When it became clear that rescue efforts would require drilling a new hole to reach the miners, the Chilean embassy in Washington contacted UPS for logistics support. We quickly organized the shipping services required to move ten tons of mining equipment from a U.S. factory to the rescue site in Chile, and then delivered the equipment within days.

For more information on UPS and the Haitian relief effort, visit <http://tinyurl.com/UPSHaitiRelief>

## About This Report

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This Report covers the calendar year 2010, which corresponds to our fiscal year. UPS has issued a Corporate Sustainability Report every year since 2003. For all past reports, and for extensive additional material not included in this Report, please visit [ups.com/sustainability](http://ups.com/sustainability). The Report begins with an overview of sustainability at UPS, including highlights from 2010. Our formal sustainability reporting, which begins on [page 25](#), 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 101](#). The entire Report was prepared at the B+ level and independently assured by Deloitte & Touche LLP ("Deloitte") to achieve the level B+. GRI checked the Report and confirmed its adherence to the guidelines for B+ level reporting.

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Workplace	<a href="#">pg 67</a>		
Community	<a href="#">pg 73</a>		

## New in This Report

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Further increases in breadth and depth of carbon reporting	<a href="#">pg 39</a>
Expanded disclosure on ethics and compliance processes	<a href="#">pg 30</a>
Expanded disclosure on risks and opportunities	<a href="#">pg 62-65</a>
Expanded disclosure on stakeholder engagement process	<a href="#">pg 31</a>
Expanded disclosure on UPS airlines technology leadership	<a href="#">pg 50-53</a>
Perspectives from external stakeholders	<a href="#">pg 71, 75, 76</a>
Statements from UPS sustainability managers	<a href="#">pg 27, 32, 39</a>
UPS and the London 2012 Olympic Games	<a href="#">pg 15</a>
Humanitarian relief for Haiti	<a href="#">pg 77</a>

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

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

# Independent Accountants' 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, 2010. This report is the responsibility of the Company's management.

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

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

Based on our review, nothing came to our attention that caused us to believe that such sustainability report does not include, in all material respects, the required elements of the Global Reporting Initiative G3.1 Guidelines, for Application Level B sustainability reports; that the 2010 and 2009 amounts included therein have not been accurately derived, in all material respects, from the Company's records; or that the underlying information, determinations, estimates, and assumptions of the Company do not provide a reasonable basis for the disclosures contained therein.

The comparative disclosures for periods prior to 2009 were not reviewed by us and, accordingly, we do not express any form of assurance on them.

The Statement of Greenhouse Gas Emissions of the Company for the year ended December 31, 2010 presented in [Appendix B](#) was examined by us, and in our report dated May 27, 2011 (also included in [Appendix B](#)), we expressed an unqualified opinion on that Statement.

*Deloitte & Touche LLP*

Detroit, Michigan  
July 11, 2011



## Statement GRI Application Level Check

GRI hereby states that **UPS** has presented its report "Sustainability At UPS 2010" to GRI's Report Services which have concluded that the report fulfills the requirement of Application Level B+.

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, 8 July 2011

  
 Nelmara Arbex  
 Deputy Chief Executive  
 Global Reporting Initiative



The "+" has been added to this Application Level because UPS has submitted 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](http://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 24 June 2011. GRI explicitly excludes the statement being applied to any later changes to such material.*



## GRI-G3.1 Reporting Profile



UPS is the world's largest package delivery company and a leader in supply chain and freight services. Our primary business is the time-definite delivery of packages and documents, with 3.94 billion packages shipped across more than 220 countries and territories in 2010. We have extended our capabilities in recent years to encompass the broader spectrum of services known as supply chain solutions, such as freight forwarding, customs brokerage, fulfillment, returns, financial transactions and even repairs. We are also a leading provider of less-than-truckload transportation services. Following is a table that provides a statistical profile of UPS in 2010. Substantial additional information on our organization is available in our Annual Report and on our website under "Investor Relations."

We ended 2010 with approximately 400,600 employees, including approximately 70,000 outside the U.S.; paid close to US\$2.7 billion in taxes; and made US\$46.5 million in philanthropic grants. On top of that, UPS employees and retirees in North America donated US\$48.7 million to United Way in 2010, and our workers and their families donated a total of 1.2 million hours of volunteer work to their communities.

UPS Facts	
Headquarters	Atlanta, GA
Founded	1907
Employees	400,600 (330,600 U.S.; 70,000 International)
Daily Online Tracking Requests	26.2 million (Average)
UPS PACKAGE OPERATIONS	
Worldwide Operating Facilities	1,801
Customers	8.5 million daily
Retail Access	61,775
Delivery Fleet	93,464 package cars, vans, tractors, motorcycles, including 1,914 alternative-fuel/advanced technology vehicles
UPS Jet Aircraft	216 in service
2010 Packages Delivered	3.94 billion
UPS SUPPLY CHAIN & FREIGHT	
2010 Net Revenue	US\$8.7 billion
UPS Supply Chain	
Key Services	Logistics and distribution; transportation and freight (air, sea, ground, rail); freight forwarding; international trade management and customs brokerage
Facilities	776 facilities in more than 120 countries
UPS Freight	
Key Services	Leading provider of less-than-truckload and truckload services coast-to-coast
Delivery Fleet	6,331 tractors; 21,090 trailers
Facilities	196 service centers
as of 2/17/2011	

## Management Approach

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Our business strategy and corporate responsibility strategy are substantially the same: to increase the economic vitality and environmental sustainability of the global economy by aggregating the shipping activity of millions of businesses and individuals worldwide. This strategy:

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

For additional management perspective on these topics from UPS Chief Sustainability Officer Scott Wicker, see [page 39](#).

Our management priority for environmental responsibility is to optimize all our consumption of natural resources and fossil fuels as well as our emission of greenhouse gases. We accomplish this by:

- integrating multiple transport modes into one highly efficient logistics network, so that we can use the lowest-carbon combination that meets customers needs;
- managing the network with one of the world's largest private information systems;
- continually optimizing our use of each individual mode of transport;
- exploring and applying a broad range of environmentally friendly technologies, including alternative fuels and technologies for our air and ground fleets and solar, fuel cell and heat-exchange technologies for our facilities; and
- mapping our water use around the world, assessing risks associated with water scarcity, and finding ways to reduce and optimize our water use.

Our management approach to social responsibility in the workplace is to compensate our employees well, train them thoroughly, keep them safe, provide them with abundant opportunities for personal and career development, and encourage them to become shareowners. We also embrace diversity, such as by developing indigenous talent around the world to manage our rapidly expanding international operations.

Our management approach to social responsibility in our communities focuses on:

- encouraging our employees to provide skilled volunteer hours for nonprofit organizations in areas that correspond to UPS expertise (community safety, nonprofit effectiveness, economic and global literacy, environmental sustainability and diversity);

- directing a substantial portion of our corporate philanthropy to those organizations; and
- increasing the amount of our philanthropy that is directed outside the U.S.

## Performance Indicators

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UPS manages sustainability performance using hundreds of quantitative measures throughout the company and throughout the world (see [page 81](#)). 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 for the sustainability of our business. These measures include KPIs for environmental and social sustainability, and they are clearly identified as KPIs in this Report. Performance measures for financial performance are presented in our Annual Report.

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



# A Strong Purpose Drives Steady Progress

Scott Wicker, Chief Sustainability Officer

Sustainability is a broad concept, one that people often interpret according to their own interests and perceptions. As employees, we want to know that our company is going to stay in business and keep paying our salaries. As shareholders, we want to know that companies we invest in see the long-term risks and opportunities associated with climate change, water, and other factors. As customers, we want to do business with good companies that operate ethically from top to bottom. And as tax-paying citizens living in local communities, we want to see successful organizations give back to society beyond what is required.

In this Corporate Sustainability Report, we address all these aspects of sustainability. At the same time, we focus on the specifics of our own approach, with facts and figures. We've been in business well over a century, which is a highly practical way to measure sustainability. Yet we wanted to understand it more deeply and set our purpose more consciously.

As we studied our own performance, we determined that sustainability for UPS is an excellent tool for driving cost savings and innovation—two things we've always cared about deeply. Realizing this has caused us to rethink some of our processes, invest in new capabilities, and create additional metrics. In this Report, for example, you'll see more comprehensive data regarding our carbon inventory and the first complete presentation of our new Key Performance Indicator for automotive miles per gallon.

We have also seen that operating more sustainably helps us compete more effectively, generate revenue, and strengthen customer relationships. One visible example of this is our global brand campaign in 2010, featuring The New Logistics. It came out of a recognition that we are using our own expertise in logistics to help other companies become more sustainable. We can advise them on everything from how an individual delivery is packaged to how entire warehouses and loading docks can be better organized. We can show customers a detailed carbon analysis of their shipping activity with us, so they can think about it in new ways. And we offer multiple options for service delivery with a range of pricing, speed and carbon mitigation options. All these are core, sustainable capabilities of UPS. So while you won't read much about The New Logistics in this Report, you will find extensive reporting on what's behind it.

Whether you are a customer, employee, investor or other stakeholder, we want you to understand that we take sustainability seriously as an integral part of our business. We are always learning from those around us, analyzing the data we gather for new insights, and pushing ourselves to improve. These, too, are long-term hallmarks of our company and our people. However you understand sustainability, and however you pursue it, we welcome your comments on this Report and our performance.

A handwritten signature in dark ink, appearing to read "Scott Wicker".

## Sustainability Issues, Risks and Opportunities

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### **Correlation of Environmental Impact with Economic Growth.**

The nature of our business is moving goods and documents for other companies more efficiently than they could do it themselves. This in turn enables millions of businesses around the world to avoid operating costs, energy consumption and emissions generation. To help create this large-scale economic and environmental benefit, we use more than 99,000 ground vehicles, more than 200 aircraft, and the services of other transportation companies. As a result, our direct and indirect consumption of fossil fuels and emission of greenhouse gases are strongly correlated to global economic activity: when demand rises or falls for the services we provide to others, we respond by expanding or contracting our transport activity as efficiently as possible.

We strive continually to reduce the strength of this correlation, so that our energy use (and associated impacts on our profits and the global environment) does not rise in line with our shipping volume. We take a similar approach with water and other natural resources our business consumes. The success of this approach was evident during the recent recession, when we reduced our carbon impact and water use by more than the reduction in our business volume, and also during the upturn in 2010, when we prevented our energy and water use from growing in line with business volume.

### **Impact of International Expansion on Environmental Sustainability.**

UPS is rapidly expanding the portion of its business conducted with customers outside the U.S. This brings a broad range of economic and societal benefits to UPS and its customers. At the same time, it has also increased our indirect carbon footprint to a greater degree than our direct footprint, particularly with regard to Scope 3 emissions. (See [Appendix B, "Scope and Boundary"](#) for definitions and explanations related to greenhouse gases and how they are measured and reported by UPS.) This is in part because in many regions of the developing world, we are more reliant on contractors and suppliers than we are in the U.S. Many of these suppliers and contractors have less experience and expertise in decarbonizing their operations than we do at UPS.

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

### **Risks and Opportunities.**

Our analysis of global sustainability trends indicates that while there may be some risks and opportunities for UPS related to these trends, they are not significant in the near term. UPS reports these risks, opportunities and other matters of impact to the company in its 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 62](#).

## Report Parameters

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### Time.

This Report presents data for 2010, 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 81](#).

### Scope.

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

- We provide comprehensive enterprise data on fuel use and emissions for our entire global operations, including both direct and indirect (Scope 1, 2 and 3) emissions sources, to the extent of our report scope and boundary as disclosed in the “Environment” section of this Report.
- We break out fuel, emissions and other data for our U.S. Domestic Package segment because it is 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 which 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 31](#).

## Corporate Governance Meets Social Media

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At UPS we recognize that a growing number of employees, vendors and customers use social media to share information, experiences and opinions. Some of this activity takes place on our corporate website and internal corporate network, such as blogs, chat forums, social networking and more. We also execute some of our corporate communication strategies using social media tactics. In 2010, we added social media guidelines to our Code of Business Conduct to help protect UPS employees and the company’s interests. We expect to evolve these guidelines as new technologies and social media tools emerge.

## Governance

### Board of Directors.

The top governance body at UPS is the Board of Directors. Eight of the 11 members are independent, as defined below. Director D. Scott Davis is Chairman of the Board and chief executive officer (CEO) of UPS. The remaining director, Michael L. Eskew, is a non-executive member in his capacity as former chairman and CEO of UPS. Mr. Davis and Mr. Eskew serve on the Executive Committee of the Board along with Director F. Duane Ackerman. The other three committees are composed entirely of independent directors. The Board and the committees perform annual self-evaluations. The Board is composed of nine men and two women; 10 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.

### 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 11 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 nine men and two women; nine members are white and two are African-American.

### Governance Principles and Guidelines.

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

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

Our governance 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, our 2010 updates included the addition of guidance related to social media (see sidebar on [page 29](#)). We also added two new translations of the Code of Business Conduct (Turkish and Korean), bringing the total number of languages to 15. Late in the year, we completed plans for a major distribution of new editions of the Code and the Policy Book in 2011, as well as a program to move for regular quarterly updates online. We also plan to add a Vietnamese translation of the Code in 2011. 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. Comprehensive training on compliance and ethics programs is completed by UPS full-time management employees every other year. In 2010, approximately 44,000 UPS full-time management employees reviewed or received training on our updated Code of Business Conduct, and 41,223 full-time managers and specialists participated in our 2010 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 5,437 calls in 2010. We investigated all cases and took corrective or disciplinary actions, when appropriate, to address each substantiated concern. Extensive information on our governance processes is available on our website under “Investor Relations.”

### Board of Directors

(Current in 2011)

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

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

### Commitments to External Initiatives.

We participate actively in organizations influential in environmental policy issues, such as the World Resource Institute (WRI) and World Business Council for Sustainable Development (WBCSD). 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 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). UPS was a charter partner in EPA's SmartWay<sup>SM</sup> program, which is reducing the fuel consumption and emissions impact of the U.S. freight industry. We are a participant in the SmartWay program at the leadership level, with 100 percent of the UPS-owned U.S. vehicle fleet in the program. UPS is the first and only global shipping company to join the Climate Leaders<sup>®</sup> program of the EPA. (EPA announced in 2010 that it will discontinue the program, which began in 2002.) We participate in five other EPA voluntary programs aimed at influencing or executing U.S. climate change policy.

In 2010, UPS continued to execute on 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 UN World Food Programme, CARE and the Aidmatrix Foundation.

### Stakeholder Engagement.

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

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

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

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

We encourage shareowners to communicate directly with the Board of Directors or with our independent directors by contacting our Corporate Secretary:  
 UPS  
 c/o Corporate Secretary  
 55 Glenlake Parkway, N.E.  
 Atlanta, Georgia 30328

# A Year of Dialogue: UPS Listens to Stakeholder Groups for Guidance on its Sustainability Program



Lynnette McIntire, Director, Global Reputation Management

As UPS expands its sustainability program, the company recognized the need to speak to outside groups to listen for new ideas, direction and expectations about leadership. In 2009 and 2010, the nonprofit Business for Social Responsibility was chosen to identify environmental and sustainability groups and to facilitate conversations between Non Governmental Organizations (NGOs) and UPS executives.

The primary objectives of the calls were to better understand stakeholder sustainability expectations of UPS; emerging sustainability issues, and to explore how UPS can collaborate and partner with stakeholders. We engaged Businesses for Social Responsibility to guide us through this process.

Questions included:

- What are your expectations of a sustainability leader?
- What are your impressions and expectations of logistics and transportation companies in the areas of environmental stewardship?
- What public policy issues should be part of UPS's sustainability program?
- What are the key performance indicators or metrics that we need to report?
- How should UPS engage with NGOs, customers and others?

UPS had conversations with the World Wildlife Fund, Natural Resources Defense Council, Environmental Defense Fund, the UN Foundation, the World Economic Forum (Sustainable Consumption), and two social investing firms, Domini Social Investments and Calvert.

As a result of the calls, UPS heard:

- Comprehensive reporting is critical to maintain the respect of these organizations, with efficiency gains and GRI minimum requirements.
- Leadership is now defined in terms of innovation, change and impact.
- The logistics and transportation industry is generally well-respected but faces major challenges in the areas of fuel conservation, addressing climate change, investing in clean energy and widespread adoption of alternative fuel fleets.
- Most stakeholder representatives had only limited knowledge of UPS's sustainability initiatives, especially as they related to impacting their customers' supply chains.

These high-level findings have guided UPS to be more aggressive about communicating its current activities. The organization also will be seeking more programs that demonstrate innovation, change and impact beyond UPS in order to retain its leadership position. Finally, the company has been seeking effective ways to engage on public policy issues.

*Lynnette McIntire*



# Marketplace



UPS's economic goals and financial performance are extensively documented on our investor relations website at [www.ups.com](http://www.ups.com). A summary of 2010 financial performance compared to 2009 is provided on this page. This section of this Report complements that information with additional commentary on the economic sustainability of our business and how that contributes to the larger economic system in which we operate. Additional contextual information regarding market conditions and marketplace strategies in 2010 is provided at the end of this section.

## Financial Highlights

(in millions except for per-share amounts)

	2010	2009
Revenue	US\$49,545	US\$45,297
Operating expenses	43,671	41,496
Net income	3,488	2,152
Adjusted net income*	3,570	2,316
Diluted earnings per share	3.48	2.14
Adjusted diluted earnings per share*	3.56	2.31
Dividends declared per share	1.88	1.80
Assets	33,597	31,883
Long-term debt	10,491	8,668
Shareowners' equity	8,047	7,696
Capital expenditures	1,389	1,602
Cash and marketable securities	4,081	2,100

\* For an explanation of adjustments affecting results, see the footnote on pages 23-24 of the UPS 2010 Annual Report at [investors.com/ups](http://investors.com/ups)

## Management Approach

Every business day, UPS employees travel the streets, highways and cities of more than 220 countries and territories. This perspective gives us an unusually comprehensive and detailed view of the global marketplace and our role within it. For example, we see first-hand that free trade encourages exports, which in turn generates much of the growth and rising standards of living in the world economy. In particular, we recognize that a relatively small group of emerging economies are accounting for most of that growth. This is in part because rapid population growth is creating new customers for goods and services.

We also understand the paradoxes of global trade. For example, the U.S. was the world's largest exporter by volume in 2010, yet less than 4 percent of the country's small and medium-sized businesses export their products—and most of them export to only one country such as Mexico or Canada. In contrast, approximately 50 percent of small and medium-sized businesses in Germany are exporters.

Our understanding of the global marketplace drives our management approach to it. 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 multinational corporations. The global scale of our network, and our rapid expansion outside the U.S., addresses the spread of trade among nations. In 2010, we delivered an average of more than 15.6 million packages each business day, for an average of 1.1 million customers per day. This represents approximately two percent of global gross domestic product (GDP).

Above all, we continually strive to increase the energy and emissions efficiency of our network, so that simply by conducting our business we can reduce the aggregate carbon footprint of our customers. Similarly, we are now rapidly expanding our logistics consulting services because we see firsthand how inefficient logistics and supply chains limit our customers' growth and profitability while adding to their carbon footprint.

In summary, our primary economic benefit to the global marketplace is facilitating free trade in a way that increases its efficiency and effectiveness for everyone involved. In addition to this positive effect on economic vitality in the communities and countries where we operate, we further contribute to the world's economic health by:

- compensating our workers fairly,
- paying applicable taxes,
- distributing profits to our shareholders in the form of dividends,
- using a portion of our profits to conduct sustained corporate philanthropy, and
- encouraging our employees to donate time and money to ensure and enhance the economic health of their communities.

We believe that the economic benefits we generate are inter-dependent, and we operate our business from that perspective. This management approach to the marketplace in turn has strongly influenced the development of our company and its economic sustainability.

## Carbon Neutral Goes International

The word is getting out: with UPS, it's easy, inexpensive and effective to offset the carbon associated with all kinds of shipments. Easy, because carbon neutral from UPS is a one-click option for internet shippers, automated for contract customers, and a simple "yes, please" for everyone else. Inexpensive, because our highly efficient network reduces the carbon and associated offset cost for a single shipment to a very low rate—usually just pennies. Effective, because we have purchased world-class carbon offsets that are assured by respected third-party verifiers. We intentionally priced our carbon neutral service to make it attractive to our customers—and good for the planet—rather than a major revenue source for us.

We launched UPS carbon neutral in the U.S. in 2009 and took it international in 2010, offering customers in 36 countries the ability to mitigate the carbon emissions associated with their shipping to any country or territory we serve. The service has been most popular in the U.S. and Europe so far, particularly in the retail and professional services. The average daily volume of carbon neutral shipping for general service customers quadrupled in the second half of 2010 compared to the first half. We also worked hard in 2010 to bring carbon neutral to all our shipping systems, including our Worldship platform for large customers with substantial shipping volumes.

Looking ahead, we have still more big plans for carbon neutral. One is helping our customers offer it to their customers. Soon your favorite online retailer may offer you the ability to offset the shipping for your next order of books, music or clothing—with just one click. And at the summer Olympic Games in 2012, we're going to show the world another way to think about carbon offsets: by offsetting our hospitality activities as an Official Supporter of the Games.

## Direct Economic Benefit

Our contribution to the global economy includes a number of components. Below we highlight the compensation we pay our workers; the dividends we pay our shareholders; the taxes and fees we pay to governments around the world; and our support for small and diverse business development around the world.

### Compensation.

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 approximately 400,600 people includes more than 70,000 people located outside the United States. In 2010, we paid full-time and part-time employees more than US\$26.3 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 67](#).) Our investment in UPS employees generally includes competitive wages and salaries, training, health care, savings plans, and incentive programs.

We believe that the dedication of our employees—and the enduring positive reputation they have earned with customers—results in part from our strong tradition of employee ownership of the company. This tradition began in 1927, when our founders first offered stock to employees. In 2010, approximately 92,678 UPS employees were shareholders. This promotes a partnership mentality within the company that we believe motivates our employees to serve customers effectively, succeed competitively, and stay with the company for much of their careers. To facilitate employee stock ownership, we maintain several stock-based compensation programs. Much more information on workplace and culture at UPS is provided in "Workplace" on [page 67](#).

### Dividends.

In 2010, UPS distributed US\$1.82 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 for more than 40 years. Financial support for The UPS Foundation, our philanthropic arm, comes entirely from the profits we earn in our business.

### Taxes.

The taxes that UPS pays to local and national governments around the world help fund schools, community infrastructure, and services. In 2010, UPS paid more than US\$2.7 billion in taxes worldwide.

### Support for Small and Diverse Businesses.

UPS has an indirect economic impact on its markets by making it easier for small and diverse businesses everywhere to participate in the global economy. We achieve this result by providing local businesses with two vital resources: procurement contracts and local support for transport and logistics. UPS spent approximately US\$826 million in procurement with small and diverse businesses in 2010. In addition, our 62,000 points of retail presence around the world provide small and diverse businesses with local, one-stop access to our global network, including the products, services, and tools they need 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 offers still other forms of marketplace support for entrepreneurs. One is the opportunity to own a franchise of The UPS Store<sup>®</sup>, which has more than 4,700 locations around the world.

The UPS Foundation has pledged more than US\$1 million to microlending organizations operating around the world and makes grants to organizations promoting economic literacy and the social and economic development of young women. In many countries around the world, female entrepreneurship represents an increasingly important engine of economic development. In the U.S., our financing subsidiary, UPS Capital<sup>®</sup>, helps small and diverse businesses finance trade and get access to government-backed loan programs.

### Eco Responsible Packaging: Green and Proud

UPS logistics experts include a group with a little-known specialty: packaging. In 2010, they developed a sophisticated new capability for assessing the sustainability of customer packaging, so that customers who care about the environment can receive the recognition they deserve. That recognition comes in the form of an "Eco Responsible Packaging Program" logo that shippers can put on their boxes, shipping notifications, catalogs, and websites. UPS provides the logo after analyzing the customer's packaging with a sophisticated calculator and giving it a passing grade for sustainability. The Eco Responsible Packaging program has earned the support of notable third-party sustainability organizations that recognize its precision and potential.

One of the three main components of the assessment is the environmental friendliness of the packaging materials. Another component is known as "cube optimization," which means the package is only as big as it needs to be. After all, smaller packages take up less space and help reduce transport costs and carbon.

Perhaps surprisingly, the most important component of all is damage prevention. That doesn't sound very "green," but the fact is that a product damaged in transit must be returned and fixed or manufactured and shipped a second time. That unnecessary duplication of effort, energy use and carbon emissions is simply too costly for the environment. So to earn the logo, the package's top job is to protect its contents securely.

UPS earns a fee for analyzing customer packaging and providing the Eco Responsible Packaging logo, but the real payoff is much bigger. We help our shippers who care about sustainability to make it a competitive advantage, so that their customers can select a more responsible vendor. And if that in turn increases our customer's shipping volume with UPS, it means more of the world's commerce is passing through one of the world's most sustainable logistics networks. For more information, visit [ups.com/ecoresponsible](http://ups.com/ecoresponsible).

XYZ Supply meets UPS's Eco Responsible  
Packaging Program criteria.  
Details at [ups.com/ecoresponsible](http://ups.com/ecoresponsible)



## Additional Contextual Information

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In 2010, our overall volume increased as improvements in industrial production and retail sales increased overall demand in the U.S. small package market. The basis of comparison for the increase was relatively low, due to the effects of the recession in 2008 and 2009. Export volume also increased in 2010, as the worldwide economy and world trade continued to improve. We experienced 28 percent growth in export shipments in Asia, 10 percent growth in Europe, and solid growth in export volume originating in the U.S.

In 2010, we completed the second phase of a multi-year expansion of our fully automated Worldport® air hub in Louisville, Kentucky. Worldport is our largest air hub in the world. We can now sort 416,000 packages per hour in the facility—a 37 percent increase. This expansion enables more cost-effective package processing and enables the use of larger, more fuel-efficient aircraft.

During the first quarter of 2010, we reorganized the management of our U.S. Domestic Package segment in order to bring resources and decision-making closer to our customers, particularly our small and medium-sized customers. As part of this restructuring, we reduced the number of domestic districts and regions in the segment.

In 2011, we are implementing a major sales force reorganization to better align our sales resources with customer business processes by industry. Our goal is to enhance the customer experience when dealing with the extensive scope of UPS capabilities at any point in the shipping or supply chain management process.

### UPS Announced as Official Supporter of London 2012 Olympic Games

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At UPS, we love logistics. We also like a challenge. We will combine the two in 2012, when UPS will be the Official Logistics and Express Delivery Supporter for the London 2012 Olympic and Paralympic Games. The summer Games are already the world's largest peacetime logistics event. The London 2012 Organizing Committee has increased the challenge by announcing its intention to put on low-carbon Games. So along with moving 30 million pieces of Games-related inventory through our warehouses in England, we'll also be helping to avoid greenhouse gas emissions, reduce energy use, replace conventional energy sources with lower-carbon alternatives, and compensate for unavoidable emissions. For more information in this Report, see [page 15](#). You can also follow the story as it develops by visiting <http://newlogistics.ups.com/swf#/scale/london-2012>.

# Environment



## Management and Organization

Our management approach to the environment is to make responsible business decisions based on accurate, comprehensive information about our use of natural resources and fossil fuels and the byproducts they generate. This includes 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;
- CO<sub>2</sub>e 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.

We use this substantial wealth of information to manage and optimize our use of fuels, water and other resources consistent with meeting our service commitments to customers. 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 already report our entire global inventory on a CO<sub>2</sub>e basis, and have begun reporting according 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 to the right.

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. Most of these correspond to GRI performance indicators. 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).

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

- Decarbonization synergy for energy and emissions.
- Continuous innovation in technology, systems and processes, and workforce skills development.
- Engagement with world-class organizations for climate change and resource conservation.

Each of these strategies is discussed in detail later in this section. Additional examples, data and performance results are provided throughout this section of the Report.

UPS Reporting Leadership		
2010		
Climate Leaders goal (Transportation Index) set and announced	Map facilities according to Global Water Tool	
Scope 3 reporting includes 5 of 15 WRI categories	CO <sub>2</sub> e reporting for global enterprise Scopes 1, 2, and 3	
Statement of GHG Emissions assured by Deloitte & Touche LLP and verified by Société Générale de Surveillance (SGS)		
2009		
Sustainability Report assured by Deloitte & Touche LLP	Carbon Disclosure Leadership Index (CDLI)	Rated No. 1 for consumer shipping on Climate Counts Scorecard
Sustainability Report "GRI checked"	Automotive goal set and announced	CO <sub>2</sub> e reporting for Scope 1 & 2
2008		
Airline goal set and announced	KPIs expanded with new stretch goals	Global carbon inventory completed and announced
2007		
Progress reported for five-year KPI goals		
2003		
Five-year KPI goals set and announced	First in sector to report to Carbon Disclosure Project (CDP)	First in sector to structure Sustainability Report according to GRI

*Policy and Responsibility.* Our management approach to the environment includes an Environmental Policy Statement and a set of Environmental Guidance Statements that specify how the policy is to be implemented. These Statements are included in Appendix F on [page 99](#).

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 the principles of the ISO 14001 standard. To ensure that our policies are practiced, we have 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 in regards to all environmental aspects of our operations. Training programs to assist the environmental coordinator cover a wide range of topics, including, among others: water and air quality; automotive environmental procedures; hazardous waste management; spill response plans; and underground storage tanks.

Our training and auditing programs identify areas for improvement and outline strategies for achieving it. We use a number of metrics to manage our compliance effort; two KPIs are presented in “Compliance” beginning on [page 60](#). 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 2010, we have implemented the programs specified in the Manual in 30 countries where UPS directly provides services. We plan to continue implementing the standards in other countries in 2011 and beyond.

Organizational responsibility for executing our environmental policies and management approach as outlined above 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.

### **Comprehensive 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 41](#)).

Our philosophies and goals for comprehensive and accurate measurement of our environmental impact include the following:

- Measure globally with an all-inclusive scope and boundary.
- Comprehensively report all 3 Scopes of the Greenhouse Gas Protocol.
- Acknowledge that thorough Scope 3 reporting will mean higher Scope 3 results in the short run—it’s the long run that matters.
- Focus on areas where good data can have the most positive impact.
- Small steps forward in data accuracy can create large opportunities for action.
- Use robust sustainability performance management software to manage the data, and manage with a long-term perspective.
- Engage third-party assurance and validation increases competence, confidence and credibility.

*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 Appendices B and D, respectively, beginning on [page 83](#). A summary statement of our global enterprise CO<sub>2</sub>e for 2010 and 2009 by business segment is provided on [page 40](#). CO<sub>2</sub>e emissions (abbreviation for “CO<sub>2</sub> equivalents”) is a metric that includes all six global warming gases named in The Greenhouse Gas Protocol. Because CO<sub>2</sub> is by far the most prominent of the six, the other five sources are expressed in CO<sub>2</sub> equivalents of global warming potential in order to create a unified metric.

The chart of global enterprise emissions by source shows that UPS Airlines is responsible for more than half our emissions, and that the ratio of emissions from mobile sources to fixed sources shifted slightly from 2009 to 2010 toward a higher percentage from mobile sources. 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 52](#)), including our first publicly announced emission reduction goal (set in 2008 and described in detail in our 2009 Corporate Sustainability Report).



# The Management Case for Breadth and Depth in Carbon Reporting

Steve Leffin, Director, Global Sustainability

Assembling a comprehensive carbon inventory takes management commitment, resources and time to achieve the necessary technical infrastructure and organize the necessary inputs. The case for doing this work has typically been based on compliance with regulation, such as cap and trade, or on the financial opportunity presented by private exchanges. There are some signs that institutional investors are beginning to pay attention to carbon reporting. And of course some companies simply want to do the right thing regardless of the cost.

The reality is that the private sector is unlikely to forge ahead with carbon inventory efforts on a large scale without a stronger management case for spending the money and time. The investment in a complete and accurate inventory has to have a payoff. UPS offers three different demonstrations of how this can work.

The first example is operational excellence. That's because UPS is a carbon-intensive business that helps the world reduce its carbon impact. This sounds like a paradox, but it's actually the basis of most of our transportation industries. Look at a transit bus. It has a larger absolute carbon footprint than an automobile, but when it's full of riders it produces less carbon than all of the individual automobiles combined. Multiply that by millions of automobiles and you can get an idea what UPS is doing by aggregating millions of shipments into one highly efficient shipping network every business day. Reducing our carbon intensity is a core competency, and we intend to be the best in our industry. So knowing our emissions impact in breadth and depth is essential to achieving the operational excellence at the core of our mission.

A second example is product development, an incredibly important competitive advantage for many companies. Product development may not be something you associate with a service business such as UPS, but when our customers ask for something, we listen. Our customers first asked us to tell them the climate impact for the

transportation logistics services we provide, and then they asked us to mitigate that impact. We were able to deliver a carbon mitigation service in half the time it usually takes us for a new service—and we didn't have to cut corners. We have a massive amount of data about the emissions associated with what our customers are shipping and where they're shipping it. To go with it, we developed a comprehensive calculation process to quantify the emissions impact of our customers' shipments and give that information back to them seamlessly. We asked two independent, credible third parties to certify and verify our methodology and our process, and then we began obtaining and retiring credible, verified offsets on behalf of our customers. A great new product was born.

The third demonstration of business advantage with regard to our carbon inventory is what we call The New Logistics. The difference compared to the old logistics is that we've added a new dimension along with improving reliability and cutting costs. We're still helping our customers with those, but now we can show large shippers a complete carbon analysis of their UPS shipping activity, broken down in actionable ways. What seemed like an impossible challenge can very quickly become a set of manageable projects. Our customers get a new appreciation for their carbon impact and how to reduce it. We get a stronger, more strategic customer relationship and the planet sees less carbon.

Carbon reduction efforts by private industry are still relatively new, and I'm sure other companies in other sectors of the economy will discover their own management case for understanding their CO<sub>2</sub> impact in detail. And after carbon comes water and other natural resources. On a planet with certain finite physical limits and a growing population, you can never understand too well where you stand and how to get where you want to go.

2010 Global Enterprise CO<sub>2</sub>e Emissions by Business Segment  
('000 metric tonnes)

	U.S. Domestic Package		International Package		Supply Chain & Freight		Totals	
	2010	2009	2010	2009	2010	2009	2010	2009
Scope 1	6,649	6,566	4,022	3,720	1,042	1,151	11,713	11,437
Scope 2	683	702	75	63	159	159	917	924
Total Scope 1 & 2	7,332	7,268	4,097	3,783	1,201	1,310	12,630	12,361
Scope 3	2,464	500	1,997	1,266	5,404	4,607	9,865	6,373
Total Scope 1, 2 & 3	9,796	7,768	6,094	5,049	6,605	5,917	22,495	18,734
Carbon Offsets Retired							3.1	
2010 Net Global CO <sub>2</sub> e Emissions							22,492	

UPS continues to increase the breadth and depth of carbon reporting. This is particularly evident with regard to Scope 3 emissions. In 2010, UPS began reporting on 5 of 15 categories in the new WRI Scope 3 (corporate value chain) standard.

UPS Transportation Index—EPA Climate Leaders Goal

$$\text{UPS Transportation Index (TI)} = (\text{TI}_{\text{package operations}} \times 48\%) + (\text{TI}_{\text{Airline}} \times 37\%) + (\text{TI}_{\text{SCF}} \times 15\%)$$

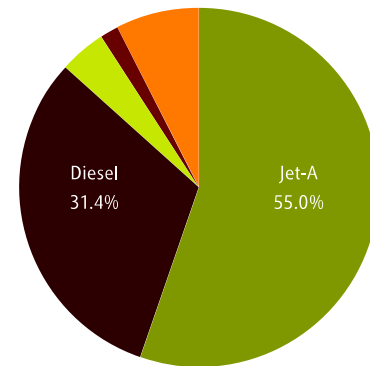
	2007 Baseline Year*	2010	2007 Baseline Year*	2010
U.S. Domestic Package	2.78 lbs CO <sub>2</sub> e/pkg	2.68 lbs CO <sub>2</sub> e/pkg	100	96.6
UPS Airlines (global)	1.54 lbs CO <sub>2</sub> e/ATM	1.41 lbs CO <sub>2</sub> e/ATM	100	91.1
U.S. Supply Chain & Freight	0.26 lbs CO <sub>2</sub> e/lbs of freight	0.24 lbs CO <sub>2</sub> e/lbs of freight	100	92.6
2010 Transportation Index				93.9
Reduction Compared to 2007*				6.1%

\* Not subject to Deloitte assurance.

The UPS Transportation Index (TI) indexes normalized Scope 1 and Scope 2 emissions from three sources in the United States to a 100-point scale, using 2007 emissions as the baseline for a value of 100. The indexed values for each segment are then added (in the proportions shown above in the TI formula) to achieve an overall Transportation Index for UPS for the given year. Our goal is a 5 percent reduction in TI from the baseline in 2017.

The chart above shows normalized emissions for each segment for 2007 and 2010, and the resulting indexed values on the 100-point scale. Our 2010 emissions resulted in a Transportation Index 6.1 percent lower than the baseline. As our business grows and our absolute emissions rise, the Index will show our ability to reduce our carbon intensity.

2010 Total Scope 1 & 2 CO<sub>2</sub>e Emissions—Global Enterprise  
('000 metric tonnes)



Mobile	%	'000 metric tonnes
Jet-A	55.0%	6,948
Diesel	31.4%	3,965
Gasoline	4.0%	510
CNG	0.1%	12
Propane/LPG	0.3%	38
LNG	0.003%	0.4
HFC's (fugitive)	0.1%	6.6
<b>Total</b>	<b>90.9%</b>	<b>11,480</b>
Stationary	%	'000 metric tonnes
Natural Gas	1.6%	208
Heating Oil	0.1%	12
Propane	0.1%	13
Electricity	7.3%	917
<b>Total</b>	<b>9.1%</b>	<b>1,150</b>



The table of global enterprise CO<sub>2</sub>e emissions by business segment shows our continuing success in capturing and reporting more of our Scope 3 emissions. The table also shows that total Scope 1 and 2 emissions rose in aggregate by only 2.2 percent compared to 2009. Our package volume for the year grew by 3.4 percent, which means we succeeded in reducing our Scope 1 and 2 carbon intensity year-over-year by de-coupling business volume and emissions. This achievement is particularly evident within U.S. Domestic Package (our largest business segment). We held the increase in Scope 1 and 2 emissions to well under 1 percent in aggregate while package volume for the segment was growing 1.8 percent for the year.

The higher level of Scope 3 emissions in 2010 compared to 2009 is notable because it documents our continued efforts to increase the comprehensiveness of our Scope 3 inventory and demonstrates our commitment to transparency in this regard. UPS was one of the first companies in the transportation and logistics sector to comprehensively report Scope 3 emissions. In 2011, we took another step forward by commencing to report 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 the first year working with the new standard, we were able to include five of the 15 emissions categories defined by the standard.

In particular, we saw an additional 3 million metric tonnes of CO<sub>2</sub>e due to the capture of three additional Scope 3 categories:

- “upstream” emissions associated with extraction, production, and transportation of fuels consumed by UPS (1.18 million metric tonnes of CO<sub>2</sub>e emissions);
- emissions associated with employee commuting (1.65 million metric tonnes); and
- emissions resulting from electricity and natural gas use by franchisees of The UPS Store (0.05 million metric tonnes).

We plan to phase in the other Scope 3 sources included in the standard over the next few years. A list of all these Scope 3 sources, and the ones we include in our reporting, is provided on [pages 42-43](#). A complete description of all our emissions sources, in all categories for our entire global enterprise, is provided in Appendix B, “Scope and Boundary” on [page 84](#).

UPS was the first shipping company to join the Climate Leaders® program of the U.S. Environmental Protection Agency (EPA). In 2010, we set a new Climate Leaders® emissions goal for operations in the United States. We intend to maintain the goal and continue reporting on our progress even as Climate Leaders evolves from a government program toward a public-private partnership.

## Why Scope 3 Matters

Many companies today want to know the carbon impact of their logistics and supply chain activities, so that they can reduce it. Most of them rely on vendors such as UPS to conduct substantial portions of their delivery activities. If delivery vendors do not capture and report their Scope 3 emissions, then companies who ship with them cannot get an accurate picture of their own emissions inventory.

This is why we have consistently increased the breadth, depth and accuracy of all our emissions reporting, particularly including Scope 3. When we show our customers an analysis of the emissions associated with their shipping activities, we make it as complete as possible.

Scope 3 Categories defined in the Corporate Value Chain (Scope 3) Accounting Standard (2nd draft) developed for the Greenhouse Gas Protocol by World Resources Institute and World Business Council for Sustainable Development

	Category	Category Description	Emissions Included (WRI standard)	Emissions Included (UPS scope & boundary)
Upstream Scope 3 Emissions	1. Purchased Goods & Services	Extraction, production, and transportation of goods & services purchased or acquired by the reporting company in the reporting year, not otherwise included in Categories 2-9	All upstream (cradle-to-gate) emissions of purchased goods & services	Not reported by UPS this year
	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
	3. Fuel And Energy Related Activities Not Included In Scope 1 Or 2	All activities related to fuel and energy consumed by the reporting company, not already accounted for in Scope 1 or 2: A. Extraction, production, and transportation of fuels consumed by the reporting company B. Extraction, production, and transportation of fuels consumed in the generation of electricity, steam, heating and cooling consumed by the reporting company C. Generation of electricity, steam, heating and cooling that is consumed (lost) in a T&D system (reported by end user) D. 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)	A. All upstream (cradle-to-gate) emissions from raw material extraction up to the point of (but excluding) combustion B. All upstream (cradle-to-gate) emissions from raw material extraction up to the point of (but excluding) combustion C. Emissions from the combustion of purchased energy D. Emissions from the combustion of purchased energy	The upstream (cradle-to-gate) emissions from raw material extraction up to the point of (but excluding) combustion for the following global fuel sources: Jet-A, Diesel, Gasoline, CNG and LPG
	4. Transportation & Distribution (Upstream)	<ul style="list-style-type: none"> <li>Third-party transportation &amp; distribution of products purchased by the reporting company in the reporting year, including transportation &amp; distribution between a company's Tier 1 suppliers and its own operations; between a company's own facilities; and between a company and its customers (paid for by the reporting company)</li> <li>Any transportation &amp; distribution services purchased by the reporting company (including inbound and outbound logistics)</li> </ul>	<p>The Scope 1 and Scope 2 emissions 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>	Not reported by UPS this year
	5. Waste Generated In Operations	Third-party disposal/treatment of waste generated in the reporting company's operations in the reporting year	The Scope 1 and Scope 2 emissions that occur during disposal or treatment	Not reported by UPS this year
	6. Business Travel	Transportation of employees for business-related activities in vehicles owned or operated by third parties	<p>The Scope 1 and Scope 2 emissions that occur during use of vehicles (e.g., from energy use)</p> <p>Optional: the life cycle emissions associated with manufacturing vehicles or infrastructure</p>	Includes the Scope 1 emissions that occur from air and rail travel, rental cars and the use of personnel vehicles for business related activities for our global operations. Does not include any optional life cycle emissions

Scope 3 Categories defined in the Corporate Value Chain (Scope 3) Accounting Standard (2nd draft) developed for the Greenhouse Gas Protocol by World Resources Institute and World Business Council for Sustainable Development, cont'd

	Category	Category Description	Emissions Included (WRI standard)	Emissions Included (UPS scope & boundary)
	7. Employee Commuting	Transportation of employees between their homes and their worksites	The Scope 1 and Scope 2 emissions that occur during use of vehicles (e.g., from energy use) Optional: emissions from employee teleworking	Includes the Scope 1 emissions that occur for the transportation of our employees between their homes and their workplace for our global operations. Does not include any optional emissions from employee teleworking
	8. Leased Assets (Upstream)	Operation of assets leased by the reporting company in the reporting year and not included in Scope 1 and 2 (reported by lessee)	The Scope 1 and Scope 2 emissions 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
	9. Investments	Operation of investments not included in Scope 1 and 2, including equity investments and debt investments	The Scope 1 and Scope 2 emissions of the investee Optional: The Scope 3 emissions of the investee	Not reported by UPS this year
Downstream Scope 3 Emissions	10. Transportation & Distribution (Downstream)	Third-party transportation & distribution of sold products between the point of sale and the end consumer (not paid for by the reporting company), including retail and storage	The Scope 1 and Scope 2 emissions 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	Includes the Scope 1 emissions from purchased transportation (air, road, rail and ocean) for the pick-up, transportation and delivery of packages and freight for our global operations. Does not include any optional life cycle emissions
	11. Processing Of Sold Products	Processing of sold intermediate products by downstream value chain partners (e.g., manufacturers)	The Scope 1 and Scope 2 emissions that occur during processing (e.g., from energy use)	Not reported by UPS this year
	12. Use Of Sold Products	Consumer use of goods and services sold by the reporting company in the reporting year	The direct use phase emissions of sold products (i.e., the Scope 1 and 2 emissions that occur during use—limited to products that directly consume energy (fuels or electricity) during use; fuels and feedstocks; and GHGs and products that contain GHGs that are emitted during use) Optional: The indirect use phase emissions of sold products	Not applicable
	13. End-Of-Life Treatment Of Sold Products	Waste disposal/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 that occur during disposal or treatment	Not reported by UPS this year
	14. Leased Assets (Downstream)	Operation of assets owned by the reporting company and leased to other entities in the reporting year, not included in Scope 1 and 2 (reported by lessor)	The Scope 1 and Scope 2 emissions 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
	15. Franchises	Operation of franchises, not included in Scope 1 and 2 (reported by franchisor)	The Scope 1 and Scope 2 emissions that occur during operation of franchises (e.g., from energy use) Optional: The life cycle emissions associated with manufacturing or constructing franchises	Includes the electricity and natural gas usage for the operation of over 4,000 "The UPS Store" franchise locations globally

To set the goal, we first created a “Transportation Index” that 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). We chose 2007 as a baseline year, and gave the sum for that year a value of 100. We also captured the percentages contributed by the three emission sources in the baseline year. The resulting Transportation Index, which represents 97 percent of UPS global CO<sub>2</sub>e emissions in 2010, is shown on [page 40](#). We then set a goal of reducing the Index 5 percent by 2017.

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 2010 came in 6.1 percent below the baseline. This confirms that our carbon intensity for the year was lower than in the baseline year. Nevertheless, we started fresh in 2011 to achieve the 5 percent goal yet again. This is because an expanding economy results in higher demand for our services, and meeting that demand puts upward pressure on our emissions. We counter this effect by putting downward pressure on emissions with decarbonization synergy and the many other strategies described in this Report. 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.

### **Decarbonization Synergy.**

At UPS, we recognize our management approach for avoiding energy use and emissions as “decarbonization synergy.” This means we simultaneously pursue multiple strategies for carbon avoidance, in a way that makes each one stronger and more effective than it would be on its own. These strategies (described in detail later in this section) focus on modal shifting, network efficiencies, air and ground fleet efficiencies, integration of technological and human factors, and more.

*Flexible, integrated use of all transport modes.* The various transport modes used in our sector have different energy intensities (energy required per unit of volume transported), 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 1.76 million metric tonnes of emissions by shifting delivery volume from air to ground, and we avoided another 0.75 million metric tonnes of emissions by shifting volume from ground to rail—all while keeping our service commitments to customers.

*Optimized network.* A simple yet powerful example of decarbonization synergy at UPS is our ability to handle all categories of service (express, ground, domestic, international, commercial and residential) through one integrated pickup and delivery service system. For comparison, 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.

*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. Current primary strategies for ground fleet efficiency includes telematics ([page 48](#)), miles reduction ([page 52](#)) and testing and implementing advanced technology vehicles ([page 49](#)).

*Full integration of technology and human factors.* We believe that integration of technological factors and human factors is a critically important capability for reducing energy use and emissions, because it simultaneously empowers people and unlocks the potential of our capital investments to benefit the environment. For example, our airline emissions result from the engines on our jet planes, but winning regulatory approval for our pilots to fly the planes more efficiently helps reduce emissions from the engines.

**Continuous Innovation.**

UPS pursues continuous innovation in a number of technological fields that affect our environmental sustainability. The most important of these are described in detail later in this Report. They include:

- Telematics in our delivery and freight vehicles (page 48).
- Package routing technology (page 46).
- Advanced technology vehicles in our delivery and freight fleets (page 49).
- Next-generation systems for our air fleet (page 53).

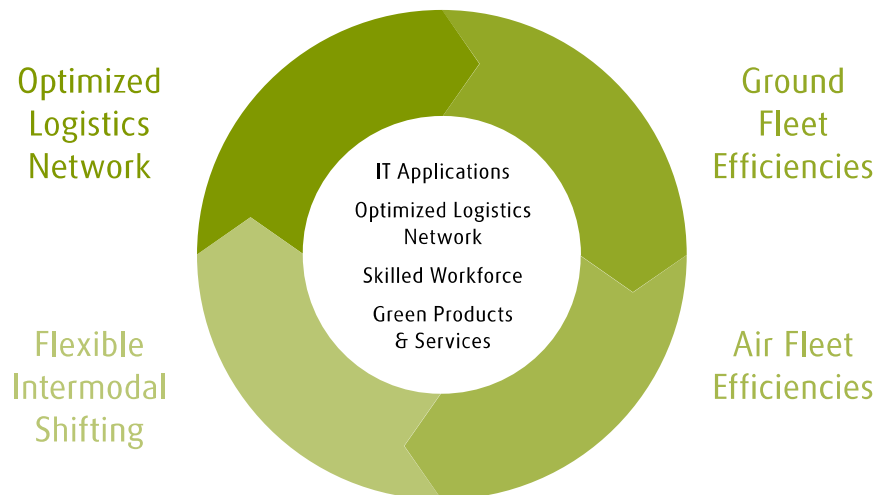
Innovation is also a hallmark of how we design and automate warehouses and air hubs to increase the fuel and emissions efficiency of these facilities and the vehicles that use them. Last but not least, we invest substantially in adapting leading-edge information technology tools to many aspects of our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

**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 the more prominent of our engagements include the following organizations and activities:

- U.S. Environmental Protection Agency (EPA) – We participate in the EPA SmartWay<sup>SM</sup> program and serve on a number of technical committees.
- 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.
- World Business Council for Sustainable Development – 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.

Decarbonization Synergy at UPS: The Whole is Greater Than the Sum of the Parts



**Leadership**

- Sustained financial success 100+ years
- First electric cars in 1935
- Integration of rail mode in 1966
- Re-engined 727 aircraft in 1985
- Replaced 727-200 starting in 1987
- Green packaging in 1998
- Hybrid vehicles in service in 1998
- Sustainability reporting since 2003

**Execution**

- Global precision delivery
- Single integrated, optimized network
- Young, 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 green services portfolio
- Evolution to LCA standards
- Renewable energy for facilities
- Ready for potential reporting requirements

- Global Reporting Initiative – UPS is a long-standing participant in the GRI process and an organizational stakeholder; we report according to GRI-G3.1 guidelines; and our 2010 sustainability report goes through the GRI application level check.
- World Economic Forum (WEF) – We participate actively in three WEF workstreams: Consignment Carbon, Collaborative Partnership for Sustainable Aviation, and Repowering Transport.
- 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.
- 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 lifecycle metrics software.

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 engaged 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 the year ended December 31, 2010. We also engaged Deloitte & Touche LLP to conduct an examination, in accordance with attestation standards established by the American Institute of Certified Public Accountants, to provide a moderate level of assurance on our 2010 Corporate Sustainability Report.
- Société Générale de Surveillance (SGS) – provides verification for our carbon calculator and internal processes that support our carbon neutral service; SGS also provides verification of our 2010 GHG inventory in accordance with ISO 14064-3:2006 as meeting the requirements of ISO 14064-1:2006.
- The CarbonNeutral Company – has verified our carbon neutral shipment program and certified it to be CarbonNeutral®.

We are always open to learning from our customers and the non-profit organizations that we support, including humanitarian relief agencies ([page 76](#)) and those receiving philanthropic support from UPS ([page 74](#)). The UPS Foundation awarded more than US\$1.9 million in grants for environmental initiatives around the world in 2010. Major recipients of the grants included The Nature Conservancy, World Resources Institute, Earth Day Network, Keep America Beautiful, the National Arbor Day Foundation, the National Park Foundation, National Council for Science and the Environment, the Student Conservation Association, and Legambiente Liguria Onlus. More information on stakeholder engagement at UPS is provided in "Profile" ([page 31](#)).

## Ground Network Efficiency

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 48](#)). All these strategies leverage our investments and expertise in information technology and our deep commitment to driver training ([page 19](#)). We believe our long-term, continuous focus on increasing ground network efficiency is a significant competitive and environmental advantage, based in part on external recognition for our results.

One example of this recognition is our Shipper Index Factor (SIF) as calculated by the EPA SmartWay program mentioned previously. A SmartWay SIF of 1.25 is considered outstanding. Our SIF in 2009 was more than double that level, at 2.66, and our emissions performance (in grams per mile) as calculated under SmartWay was 33 percent better than the average US domestic fleet. In 2010, EPA was in the process of developing a new model for calculating SIF; we expect to resume reporting on the SIF metric in our 2011 Report.

Another way we measure our ground fleet efficiency is by average miles per gallon (MPG) for delivery vehicles in our U.S. Domestic Package segment (see chart on [page 47](#)). Our goal is an improvement of 20 percent compared to 2000, which corresponds to MPG of 10.75. During the period from 2000 to 2009, MPG improved 7.8 percent. (We previously reported a 10 percent improvement for this period, based on an incomplete analysis of available data.) As the graph shows, we anticipate moderate volatility in this metric in the near term due in part to timing issues such as purchases of new vehicles. We expect that our "rolling laboratory" approach will prevail over the medium and long term, enabling us to increase the energy efficiency of our ground fleet, reduce our emissions intensity, and help reduce the impact of our customers' shipping activity on the environment.

### Key Performance Indicators.

We track our ground fleet efficiency with a Key Performance Indicator that measures fuel efficiency normalized to package volume for our largest segment, U.S. Domestic Package. This KPI, shown to the right, improved 3.3 percent in 2010 compared to 2009, even though package volume rose only 1.8 percent. Thus the improvement came from using less fuel per package—exactly the result we seek with decarbonization synergy and innovative approaches such as telematics and our proprietary routing technology. These technologies enable us to avoid driving more than 63.5 million miles in 2010, with an associated emissions avoidance of 68,000 metric tonnes.

Routing technology enabled UPS to avoid driving 183 million miles since 2001, by optimizing the processes of:

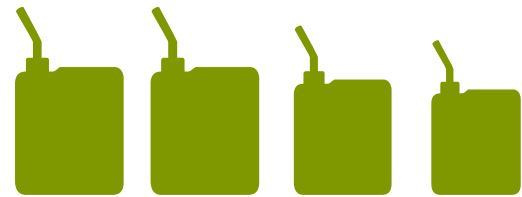
- Allocating our pick-ups and deliveries to the most efficient number of vehicles each day at each facility, thus keeping vehicles off the road wherever possible.
- Loading vehicles most efficiently for the order of delivery, so that routes and miles driven can be kept to a minimum.
- Selecting vehicles for routes on which they will deliver the best fuel efficiency.
- Routing vehicles so that they reach all required destinations in the least amount of time and miles driven.
- Selecting route options that minimize idling time spent waiting for lights and turns, thus reducing fuel use and emissions even if miles driven remain the same.
- Identifying unloading locations that enable multiple deliveries.
- Keeping drivers on route and on schedule via a handheld computer.

#### KEY PERFORMANCE INDICATOR

Gallons of Fuel per Ground Package—U.S. Domestic Package

Steady  
Gains

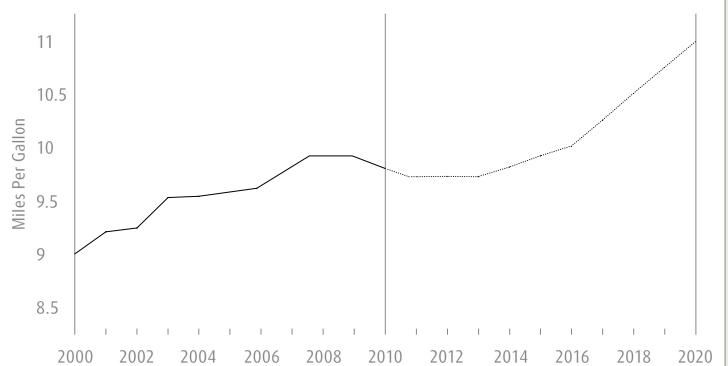
### UPS delivers more packages with less fuel per package in 2010.



2007—0.127    2008—0.127    2009—0.121    2010—0.117

Fuel consumption (US) includes gasoline, diesel, compressed natural gas, liquid natural gas, fuel for rail services and fuel for small package contract carriers including the USPS divided by total U.S. ground volume and air volume moved on ground.

#### Miles per Gallon for Delivery Vehicles—U.S. Domestic Package



We intend to increase the average in-service miles per gallon (MPG) for package cars in the U.S. Domestic Package segment by 20 percent from 2000 to 2020. Because of the numerous variables involved in meeting this long-term goal, we expect moderate volatility in MPG results in the near term.

### Telematics and the Rolling Laboratory.

One of the keys to decarbonization synergy, as explained on [page 44](#), is integrating human and technological factors. A powerful example of this integration is our advanced use of telematics. We have created a proprietary system of telematics that combines a wealth of information about the behavioral and mechanical variables that affect 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.

We start by equipping our delivery vehicles with sensors that provide information 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. Our maintenance teams 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.

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 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.

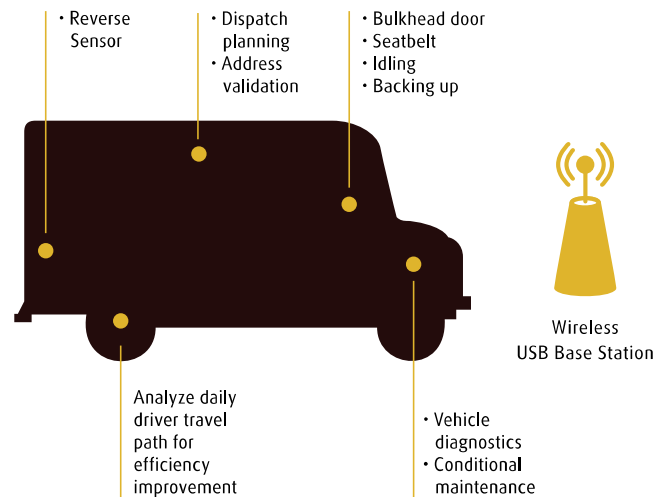
Here are some examples of our success with telematics in 2010:

- In 2010, package operations drivers in telematics-equipped vehicles eliminated more than 39.0 million minutes of idling time. This translates into fuel savings of more than 260,000 gallons (and avoidance of 2,640 metric tonnes of CO<sub>2</sub>).
- By the end of 2010, the number of vehicles with fully functioning telematics increased to 24,984 in 144 locations in North America. (For more information about ongoing telematics deployments, see “Work in Progress,” [page 62](#).)

### Telematics

## UPS's advanced use of telematics integrates human and mechanical factors that drive safety and fuel efficiency.

- 1 Sensors capture information about the vehicle, its route, and its driver actions related to speed, backing up, seat belt use and more.
- 2 Data is uploaded when driver returns to building and turns ignition off.



- 3 Telematics outputs include maps of routes derived from GPS data and detailed reports on driver behavior; these and other outputs drive planning, training and maintenance activities.



Source: UPS Telematics System

Telematics combines UPS purpose-built delivery vehicles, sophisticated sensors, wireless communications, GPS tracking, an IT data warehouse, and proprietary analytic tools. Information is gathered automatically on vehicle performance and driver behavior, uploaded at the end of a run, warehoused and analyzed, and then presented to mechanics, drivers, and route planners in various forms. Mechanics plan proactive maintenance to avoid breakdowns and keep mileage high; drivers learn how and where they can help increase safety and reduce fuel usage; and route planners further refine their algorithms for designing high-efficiency pickup and delivery routes.



- Drivers in telematics-equipped vehicles achieved twice as much improvement as other drivers in stops per mile (a metric that measures our ability to deliver more packages with fewer engine restarts that consume fuel). This saved 1.8 million miles of driving from telematics in 2010, equating to more than 186,000 gallons of fuel or 1,893 metric tonnes of CO<sub>2</sub>. Applying this same rate of improvement across the domestic package car fleet would yield savings for the year of 9.3 million miles or 966,000 gallons of fuel (9,809 metric tonnes of CO<sub>2</sub>).

### The UPS Green Fleet.

UPS's "green fleet" is composed of more than 1,900 vehicles, utilizing a variety of advanced technologies and/or alternative fuels. Our fleet is also one of the most diverse in the private delivery industry. We currently have vehicles with six 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)
- Liquid petroleum gas engines (in fleet since 2008)

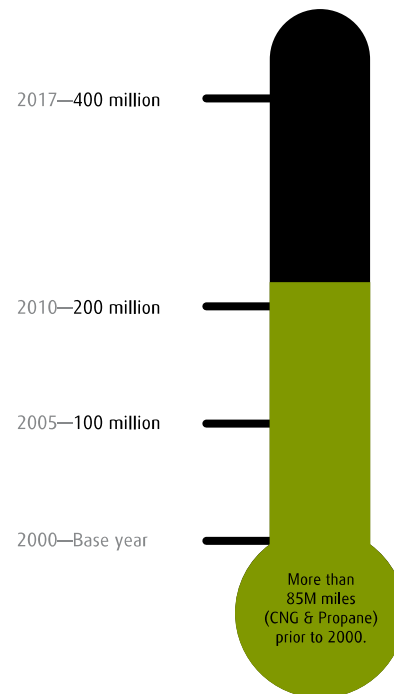
Additionally, we continue to explore hydraulic hybrid technology, which we have described in previous reporting. We invest in these alternative technologies and test them in action as part of our "rolling laboratory" concept.

Approximately a third of our alternative fuel/technology vehicles operate outside the United States in: Brazil, Canada, Netherlands, Chile, South Korea, Germany, and the UK.

Our expanding green fleet is logging miles by the millions, every year. Using 2000 as a baseline, it took more than five years to reach the 100 million mark and less than five years to reach the 200 million mark shortly after the end of 2010. 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 on the right).

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), liquefied petroleum gas (LPG), diesel hybrid electric, gasoline hybrid electric, diesel hybrid hydraulic and full electric vehicles.

For more information visit  
<http://pressroom.ups.com/200+Million+Miles>

## Air Fleet Efficiency

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 216 aircraft in 2010 was just 13 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 is the only company 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<sub>x</sub>) 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.

In addition to meeting external guidelines, we set our own goals for airline emissions because they represent more than half of our global CO<sub>2</sub> inventory. We apply our overall decarbonization synergy strategy to reducing air fleet emissions and fuel use, such as by taking both long-term and near-term steps that complement each other. Long-term steps include investing in younger, more fuel-efficient aircraft (see chart on opposite page), and publicly declaring our commitment to use jet engine bio-fuels when they become more readily available. Near-term steps include numerous operating initiatives that increase fuel and emissions efficiency in big and small ways, day in and day out, around the world.

*Continued on Pg. 52*

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

On  
Track

### UPS continues to improve aircraft emissions performance.



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

UPS Operates A Modern, Quiet, Fuel-Efficient, Global Airfleet  
Jet aircraft owned or leased as of 12/31/2010

Aircraft	Engine	Average Age	# of Aircraft in operation	db below Stage III Limit	db below Stage IV Limit	Meets Aircraft Emissions Standard
A300F4-600	PW-4158	7.5	53	-11.3	-1.33	ICAO CAEP 6
B757-200	RB211-535E4	14.3	40	-19.8	-9.83	ICAO CAEP 6
B757-200	PW-2040	20.1	35	-13.0	-3.03	ICAO CAEP 4
B767-300	CF6-80C2B6F	10.3	39	-14.5	-4.51	ICAO CAEP 8
MD-11	PW4460	16.67	27	-12.5	-2.53	ICAO CAEP 6
B-747-400F	CF6-80C2B1F	5.6	10	-12.3	-2.33	ICAO CAEP 8
B-747-400SF	CF6-80C2B1F	17.0	2	-12.3	-2.30	ICAO CAEP 8
MD-11	CF6-80C2D1F	17.09	11	-13.4	-3.43	ICAO CAEP 8
<b>Totals</b>		13.03	216			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	

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.

### Emissions and Fuel Efficiency.

Our airline emissions and fuel efficiency both improved in 2010 compared to 2009. As with other improvements discussed earlier in this Report, these positive results flow from our decarbonization synergy strategy of combining long-term planning, day-to-day operating efficiency, and the use of advanced or unconventional techniques and technologies such as:

- lower flight speeds,
- computer-optimized flight plans,
- computer-managed aircraft gate departures and arrivals and taxi times,
- single-engine used to taxi,
- fuel-efficient towing tugs,
- bio-diesel in ground support equipment,
- environmentally friendly paint that reduces drag, and
- cleaner engines.

Our primary Key Performance Indicator for airline emissions efficiency tracks our progress toward a long-term goal of reducing emissions from UPS Airlines 20 percent from our 2005 baseline. (This represents 42 percent reduction from 1990, a year that is widely used as the baseline for calculating changes in greenhouse gas reduction.) The metric for this KPI is CO<sub>2</sub> pounds emitted per available ton mile (CO<sub>2</sub>lbs/ATM), using nautical miles. Our 2010 result of 1.39 CO<sub>2</sub>lbs/ATM represents a 35 percent improvement compared to 1990 and a 10 percent increase in efficiency compared to 2005. It is also an improvement compared to 2009, and moves us closer toward our goal for 2020. According to published figures, our current performance against this metric exceeds both the current result and long-term target reported by our nearest competitor.

We believe this is the most appropriate metric for measuring the carbon associated with global airline payload capacity and routing optimization. We believe our industry would be well served to adopt a standardized metric, with common denominators (nautical miles), to give outside stakeholders a way to understand and compare air fleet performance in our sector.

Two additional air fleet KPIs are presented in Appendix A ([page 81](#)). The first of these tracks gallons of aviation fuel burned per 100 available ton miles. At present, this KPI is closely correlated with our KPI for reducing airline emissions, because emissions are generated from fuel consumption. In the long term, we believe that lower-emission bio-fuels will reduce the correlation between the two KPIs. The second additional air fleet KPI (aircraft emissions per payload capacity) tracks emissions efficiency during taxiing, take-offs, and landings below 3,000 feet of elevation—periods of relatively high fuel consumption. We are close to achieving our goals for these KPIs for 2012 and 2011, respectively.

### 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 technological approaches to air traffic control, such as those associated with the “NextGen” program of the Federal Aviation Administration (FAA) in the United States.

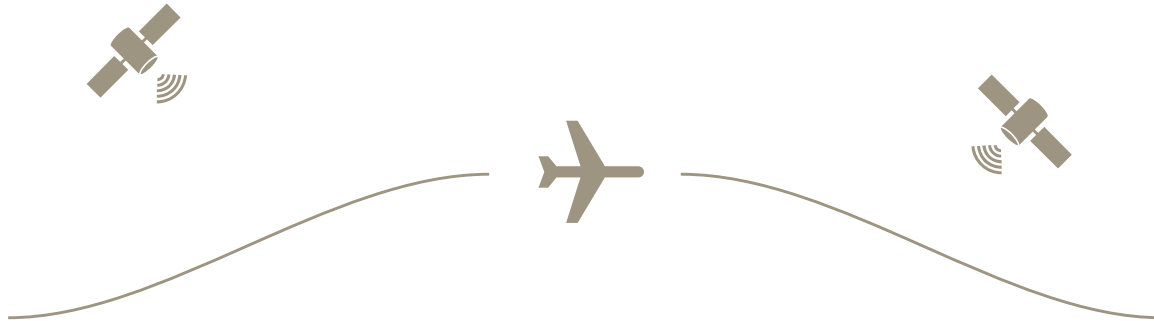
We have worked closely with the FAA for years to bring NextGen to fruition in these fundamental areas:

- Surveillance – Using GPS 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.
- 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 efficient and direct, 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 (CPDLC), allows pilots and controllers to exchange information more quickly and more accurately than voice communications; texts can be quicker to send and read than voice communications, particularly near busy airports, so controllers don’t have to resort to delaying tactics simply to buy time for radio 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 automatic dependent surveillance—broadcast (ADS-B). We were the first airline to equip all 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 also the only airline to equip our entire fleet with ADS-B transmissions. 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.

NextGen - Phases of Flight

UPS Airlines leads in implementing and benefiting from “NextGen” technologies.



Push Back/Taxi	Takeoff	Domestic/Oceanic Cruise	Descent	Final Approach/Landing
Systemwide Information Management (SWIM) enables collaboration between UPS air and traffic controllers.	Departures can be queued more closely, saving time.	Required Navigation Performance (RNP) enables shorter, more efficient routes that save time and fuel.	“Continuous Descent Approach” saves fuel, reduces noise.	Pilots have same awareness of other planes as air traffic controllers.
UPS is one of only three airlines to use the Surface Decision Support System (SDSS) to sequence aircraft. Key benefit is safer, more efficient movement of planes at gates and on taxiways.	Takeoffs are paced more evenly, saving fuel and reducing noise.	Young, efficient airfleet is 100% compliant with noise guidelines.	Enabled by Automatic Dependent Surveillance—Broadcast (ADS-B) Out.	Pilots can communicate using “texting” with Air Traffic Control.
UPS is the first airline in US to successfully connect with SWIM.			UPS is the first airline 100% equipped with ADS-B Out.	Aircraft can fly closer together.
				UPS benefits from tighter spacing and even pacing of aircraft arrivals.

UPS Airlines is an early adopter of satellite-based communications technology that makes airline operations safer, quieter and more fuel-efficient. By shifting from slower, ground-based to space-based communication, navigation and surveillance, UPS Airlines enables its pilots to communicate more effectively with air traffic controllers, fly more efficient routes, and take advantage of tighter, more even spacing for departures and arrivals. In all these areas, UPS Airlines is helping the U.S. Federal Aviation Administration realize its vision of next-generation (“NextGen”) air traffic control and surface traffic management.

## Facilities and Energy Conservation

Stationary assets (excluding the vehicles, planes, trains and ships used in our transport network) declined to 9 percent of our global carbon inventory in 2010 from 10 percent in 2009. We continue to develop, sustain or expand initiatives to reduce energy use in all our facilities.

### Lighting.

Lighting is one of our major stationary sources of energy use and emissions, in part because our distribution centers are large facilities that remain in operation overnight. In 2010, our multiyear lighting upgrade program replaced or upgraded 16,368 fixtures with more energy-efficient lamps. The total since 2007 is more than 85,000 fixtures upgraded, with an estimated annual energy savings of 30 million kilowatt hours.

### Renewable Energy.

Our solar-powered facility in Palm Springs, Calif. produced 70 percent of its own electricity from solar technology, eliminating 500 metric tonnes of CO<sub>2</sub> emissions—the equivalent of taking 95 automobiles off the road for the year. Based on our experience with this system, we believe that the return on investment (ROI) from solar power can be achieved more rapidly if we take full control of the purchasing and contracting processes involved in constructing new solar systems. In 2010, we began testing this ROI model with the engineering of a new solar installation in Lakewood, New Jersey. We expect that this new system will give us further understanding of how to manage ROI for solar power, which will in turn enable us to develop and operate additional renewable energy systems in the future.

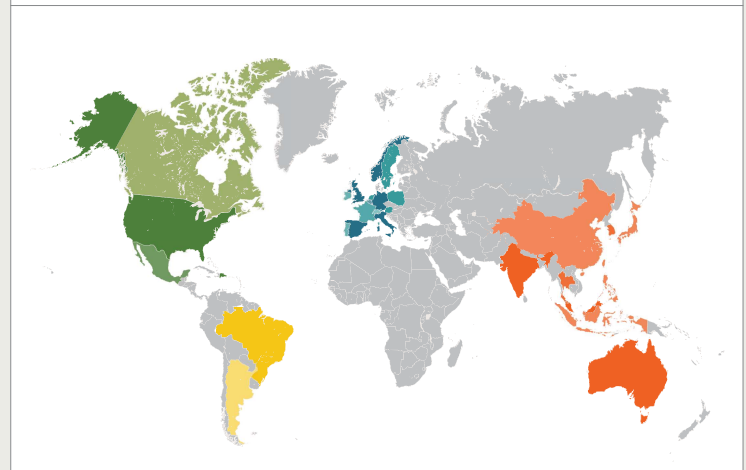
### Back-Office Energy Conservation.

Our attention to energy efficiency within our office and operating facilities continued in 2010. 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. We intend to continue this effort in 2011 by capturing 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.

Information technology systems have come under increasing scrutiny in recent years, because densely spaced, high-speed data process units must be kept cool. At our Windward Data Center, where we monitor all packages moving through our logistics network, we employ high-efficiency heat-exchange and other temperature-control techniques to minimize the use of electricity for cooling. In 2010, the facility saved an estimated 4 million kilowatt hours of electricity, avoiding more than 2,700 metric tonnes of CO<sub>2</sub>. Our Mahwah Data Center saved an estimated 1.4 million kilowatt hours, avoiding more than 430 metric tonnes of CO<sub>2</sub>. Approximately 92,000 computer monitors in UPS facilities are set to an energy-saving mode.

As we build new facilities or upgrade existing facilities, we incorporate energy-efficient technologies and environmentally preferable building practices technologies into their design and construction. A waste heat recovery system in our Singapore healthcare distribution facility, for example, saved 1.6 million kilowatt hours by recovering waste heat and using it to reduce humidity. Building automation systems in Shenzhen and Pudong in China together saved nearly 1.9 million kilowatt hours.

Origination Countries for UPS Carbon Neutral Shipping



Delivery destinations can be anywhere in the world.

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

## Products and Services

### Carbon Neutral Shipping.

UPS's carbon neutral option is the first of its kind in the United States, enabling customers to mitigate the climate impact of their shipping. In 2010, we expanded it internationally to customers in 36 countries of origination (destinations can be anywhere). We also worked hard in 2010 to bring carbon neutral to all our shipping systems, including our Worldship technology for large customers with substantial shipping volumes.

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 CO<sub>2</sub> generation or sequestration of CO<sub>2</sub> 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) and Climate Action Reserve (CAR) certified offsets. These organizations support a variety of high-quality, geographically-appropriate CO<sub>2</sub> 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.
- Fujian landfill in China, which is capturing methane gas and using it to generate electricity.
- The Garcia River Forest project in California, which is restoring the carbon sequestration capabilities of a 24,000-acre (970-hectare) forest.
- The Cholburi tapioca factory in Thailand, which is using anaerobic reactor technology to capture biogas from wastewater.

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

- capturing our comprehensive global carbon inventory, including Scope 1, 2 and 3 emissions;
- 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 hospitality activities we conduct as an Official Supporter of the London 2012 Olympic Games.

### 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. Once their packaging meets the standards, customers may put an "Eco Responsible Packaging" logo on their boxes, shipping notifications, catalogs, and websites (see [page 35](#)).

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.

## Effluents and Waste

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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.**

At UPS, solid waste mainly takes the form of corrugated containers and wood pallets. The complete breakdown of solid waste by type across 1,511 facilities in the U.S. is shown in the table on [page 57](#). In 2010, these facilities cut their solid waste disposal by nearly 5 percent compared to 2009, despite growth in U.S. Domestic Package and the United States operations of our Supply Chain & Freight segment.

Beginning in 2010, we gave many of our facilities more flexibility to invest in recycling programs and activities. Partly as a result, UPS recycled solid waste in the United States rose 9 percent, to more than 38,000 tons, and we saved more than US\$1 million in disposal costs. 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 128,329 metric tonnes of CO<sub>2</sub>e in 2010. This amount is equivalent to removing 23,503 passenger vehicles from the road for a year.

We continued to expand our e-waste recycling program in 2010. Since 2000, the program has recycled 29.7 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 38,700 pounds of batteries in 2010, a 35 percent increase over 2009.

In 2010, we increased the number of reusable sorting bags in our global operations by 1.3 million. To date, we have used more than 8 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 the program's beginning in 1995, our reusable bags have prevented more than 62,120 tons of plastic from entering landfills.

### **Hazardous and Non-Hazardous Waste Management.**

Wastes are generated 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 managed as non-hazardous wastes, and recycled or disposed of locally through numerous vendors in the United States. The remainder of these wastes are classified as hazardous wastes according to federal or state regulations, and are managed through approved national vendors.

We only utilize national vendors that have a 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 indicates waste management and disposal methods.

In 2010, UPS operating facilities in the United States generated 1,515 tons of hazardous waste. This represents an increase compared to 2009, due primarily to more complete data collection. More importantly, 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 25 percent compared to 6 percent in 2009.



## 2010 Solid Waste Disposal &amp; Recycling—U.S. Domestic Package, Supply Chain &amp; Freight

In U.S. Tons

	Incinerated	Recycled	Landfilled	Total
<b>Solid Waste Disposal Total</b>			99,009	99,009
<b>Solid Waste Recycling Total</b>		38,024		38,024
Corrugated Containers		20,862		
Pallets & Wood Waste		7,173		
Metals		5,406		
Mixed Recycling		3,542		
Office Paper		875		
Plastics		166		
<b>Hazardous Waste Total<sup>1</sup></b>	1,100	381	34	1,515
<i>National Vendors<sup>2</sup> Subtotal</i>	1,100	381	34	1,515
<i>Local Vendors Subtotal</i>				
<b>Non-hazardous Waste Total<sup>3</sup></b>	7,380	53,061	4,153	64,594
<i>National Vendors Subtotal</i>	4,589	2,269	44	6,903
Auto, aircraft, facility maintenance, damaged packages, etc.	4,589	943	44	5,576
Electronic Waste		1,307		1,307
Batteries <sup>4</sup>		19		19
<i>Local Vendors<sup>5</sup> Subtotal</i>	2,790	50,792	4,109	57,691
<b>Total Waste by Disposal Method</b>	8,479	91,467	103,196	203,142

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.

## Water

We made significant strides in improving our collection and analysis of water data in 2010, particularly outside the United States. For the first time, our metrics for water consumption give us a global view, including all three segments of our business. And for the first time we have mapped our facilities to the Global Water Tool of the World Business Council for Sustainable Development (WBCSD).

### Consumption and Conservation.

Our water conservation practices succeeded in holding our water consumption down as our business grew in 2010. Normalized water use (consumption per 1,000 packages) in our largest segment, U.S. Domestic Package, was within 1 percent of the 2009 level. That prior-year level offered a challenging basis of comparison, because we had previously reduced normalized consumption in the segment 23 percent over the preceding two years (see KPI chart on the right). Absolute water consumption in the segment came in 2 percent above the prior-year level, which was also a low basis of comparison after the segment reduced water consumption 28 percent in the preceding two years (see table on the bottom right). The United States operations of our Supply Chain & Freight segment reduced their 2010 water use 8 percent in absolute terms compared to 2009, and as a result absolute water consumption in the United States for 2010 came within 1 percent of the prior-year level.

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.

### Mapping Our Global Facilities by Water Risk.

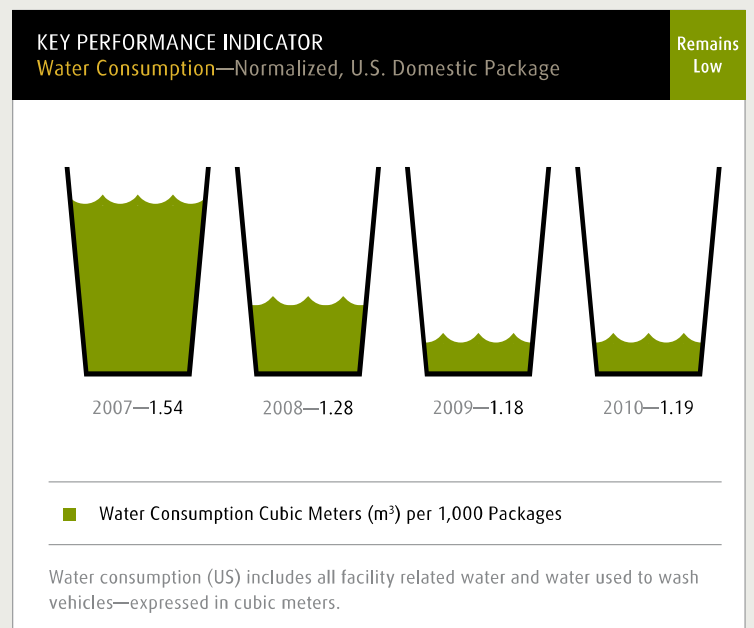
In 2010, we applied the Global Water Tool created by WBCSD to an assessment of the water risk for our operations around the world. The tool:

- 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.

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 on [page 59](#). 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 (m<sup>3</sup>/person/year).

The picture that emerges from our use of the Global Water Tool is that while the great majority of UPS facilities are in areas with sufficient or abundant water today, there will be a significant rise in the number of facilities located in areas of water scarcity and water stress. We are now considering the implications of this development in our long-term business planning processes and sustainability strategies.



UPS Discloses Global Water Consumption for First Time in 2010

	2007 (million m <sup>3</sup> )	2008 (million m <sup>3</sup> )	2009 (million m <sup>3</sup> )	2010 (million m <sup>3</sup> )	% Change 09/10
U.S. Domestic Package	5.39	4.36	3.90	3.99	2%
International Package	—	—	—	0.53	—
Supply Chain & Freight	0.73*	0.68*	0.62*	2.02	—
Total Water Consumption	6.12	5.04	4.52	6.54	N/A

\*Previous years consumption included U.S. Supply Chain & Freight only.

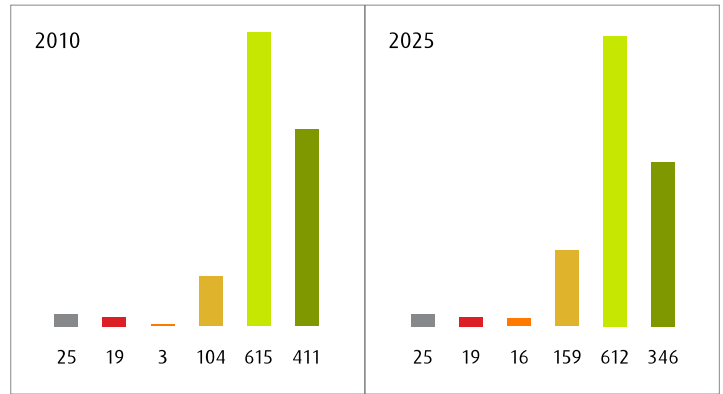
Mapping of UPS Facilities Using the Global Water Tool of WBCSD

International



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

International



Total Renewable Water Resources (TRWR) per person (m<sup>3</sup>/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

United States



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

The Global Water Tool assigns geographic regions with a water stress level ranging from abundant (>4000 m<sup>3</sup> of water per person per year) to extreme scarcity (<500 m<sup>3</sup>/person/year). Levels for all categories are shown in the color key above. TRWR is calculated for individual river basins (basin water runoff divided by basin population). Projections for 2025 are based on a water model driven by climate variables (e.g., temperature and precipitation) and mid-range population estimates developed by the United Nations Population Division.

Maps depict comprehensiveness of mapping activity, not actual UPS facilities. For example, 527 data points shown for United States facilities represent actual total of 1,348 facilities, many of which are clustered near each other in metropolitan areas that share the same water availability.

## Compliance

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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 “Profile” (page 38).

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*

In 2010, federal and state environmental agencies conducted 962 environmental inspections at UPS facilities in the United States, a 2 percent decrease compared to 2009. Within the total, inspections in our U.S. Domestic Package segment remained nearly unchanged compared to the prior year, while our Supply Chain & Freight segment saw a 9 percent drop in inspections. The notices of violation that resulted from inspections declined 24 percent year-over-year. Total penalties for the year came in significantly higher at US\$84,380. This was due primarily to a substantial penalty we paid in 2010 for a 2007 violation arising from a misclassification related to a hazardous waste generator status.

### *Incidental Spills*

Reportable spills in the U.S. decreased in 2010, to 108 incidents from 113 in 2009. Within the total, spill incidents declined in our U.S. Domestic Package segment and increased in the Supply Chain & Freight segment. The total spill volume from reportable spills rose compared to 2009, due primarily to a single incident in freight operations involving 800 gallons of fuel. Spills due to accidents involving UPS vehicles in all segments increased to 44 from 36 a year ago. Spills related to human error fell to five from 12 in 2009. 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.

## Biodiversity

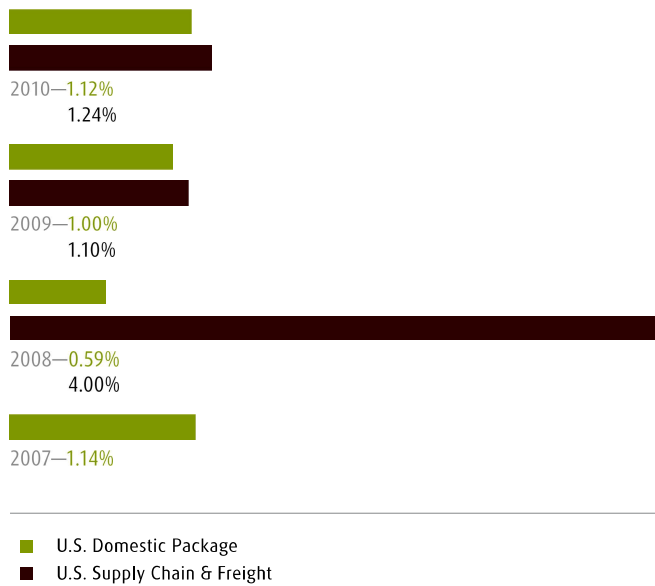
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In general, biodiversity is not an issue of high materiality for UPS. Our management approach to biodiversity primarily concerns the location and management of our facilities and preventing transportation of invasive species. We set the criteria for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

In 2010, 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.

**KEY PERFORMANCE INDICATOR**  
**Penalties as a percent of Total Environmental Inspections**  
 U.S. Domestic Package, Supply Chain & Freight

**Environmental penalties remain low.**



Environment related fines paid (US) as a percent of total environment related agency inspections.

**KEY PERFORMANCE INDICATOR**  
**Number of Reportable Spill Incidents U.S. Federal or State Environmental Agency**

**Total spills declined in the U.S.**

	2007	2008	2009	2010
U.S. Domestic Package	49	82	75	67
U.S. Supply Chain & Freight	26	17	38	41

Spills that meet criteria of being federal or state reportable.

**2010 Spill Incident Cause Analysis**

	Aircraft		Ground Support Equipment (GSE)		Package/Freight			UPS Vehicle					Underground/Above-ground Storage Tank or Piping			Total
	Equip. Failure	Human Error	Equip. Failure	Storage Tank Overfill	Accident	Damaged Package/Freight	Improper Pack.	Accident	Equip. Failure	Human Error	Road Debris	Vehicle Overfill	Equip. Failure	Human Error	Storage Tank Overfill	
U.S. Domestic Package	3	1	2	1	0	16	3	21	12	1	3	2	1	0	1	67
U.S. Supply Chain & Freight	0	0	0	0	1	2	0	23	3	2	8	0	1	1	0	41
Total	3	1	2	1	1	18	3	44	15	3	11	2	2	1	1	108

Spills that meet criteria of being federal or state reportable.

## Additional Contextual Information

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As we prepared this Report, we noted a number of subsequent developments and works in progress that we expect to discuss in our 2011 Report.

### Subsequent Events.

*National Clean Fleets Partnership.* On April 1, 2011 UPS became a charter member of the National Clean Fleets Partnership, a group of companies in the United States pledging to reduce use of diesel fuel and gasoline in their companies' cars and trucks by using electric vehicles and alternative fuels. We joined in the formation of the group to support President Barack Obama's goal of reducing U.S. imports of foreign oil by one-third by 2025. President Obama highlighted the unveiling of the National Clean Fleets Partnership by visiting a UPS facility in Maryland. UPS Chief Sustainability Officer Scott Wicker guided President Obama, Energy Secretary Steven Chu and Transportation Secretary Ray LaHood on a tour of UPS alternative technology vehicles, including plug-in all-electric and compressed natural gas trucks.

### Work in Progress.

*Expanding Scope 3 Reporting.* As we describe on [page 16](#), UPS in 2010 began expanded reporting of Scope 3 emissions according to the Greenhouse Gas Protocol Corporate Value Chain (Scope 3) Accounting & Reporting Standard. We expect to continue adding new categories from the standard to our Scope 3 emissions reporting in 2011.

*Expanding Telematics.* Our deployment of telematics is ongoing in 2011. By the end of the year, we expect to have 46,538 vehicles with fully functional telematics in 410 locations including San Juan, Puerto Rico and two sites in Canada. We expect to complete the United States telematics deployment in 2012, with a total of 65,323 vehicles in 1,055 locations. Telematics will also be expanded in our Supply Chain & Freight segment in 2011. Plans include the deployment of 1,572 freight vehicles in 38 locations.

*New Solar Power Project.* As we describe on [page 54](#), we began testing a new model for return on investment in solar power generation with the construction of a new solar installation in Lakewood, New Jersey. We expect to complete construction on this new system in 2011, at which time we will begin assessing its payback and potential to serve as a model for additional renewable energy systems in the future.

### Risk and Opportunities.

*Enterprise Risk Management Program.* UPS integrates climate change risks and opportunities into its multi-disciplinary, companywide 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) [[cdproject.net](http://cdproject.net)] 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 our management approach for avoiding energy use and emissions as “decarbonization synergy,” which means that UPS simultaneously pursues multiple strategies for carbon avoidance in a way that makes each one stronger and more effective than it would be on its own. These strategies (described in detail earlier in this section of the Report) 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 and information about the allocation of allowances is expected in the fall of 2011. The percentage distribution of those allowances will be influenced by the number of other companies that have also met their compliance reporting obligations. 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. We expect to learn of our company-specific impact in the fall of 2011.

*Climate-Related Physical Risk.* Through the ERM process described previously, UPS reviews potential climate change-related physical 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.

The impact of Hurricane Katrina on New Orleans in 2005 is an appropriate example of how our flexible response to this physical and financial risk plays out at UPS. We restored our operations in New Orleans promptly after the storm, but much of the 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. 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, either as an in-kind provider of logistics and transportation services or as a philanthropic partner. We played this role in New Orleans in 2005, in Haiti in 2010, and in other locations around the world over more than a decade.

*Other Climate-Related Risks.* Through the ERM process described previously, we review potential climate-related risks including, but not limited to, changes in reputation, changing consumer behavior, and uncertainty. Based on this risk management 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 other risks, no other climate related risks have been identified as having the potential to generate substantive change in UPS's business operations, revenue or expenditures over the short term (1 to 5 years ahead).

We view risks related to our reputation as the largest potential risk in this category. We have built a strong brand over the course of our 104-year history and this reputation underlies customer trust in our services, products and behavior. Interbrand, an organization that assesses the value of corporate brands, ranked our brand value in position 31 among the Best 100 Global Brands for 2010, and valued the UPS brand at US\$11.8 billion dollars. While we recognize that negative response to a company's reputation could lead to substantive financial implications, UPS continues to be a leader in brand reputation and we see no reason why this will change in the future. UPS considers the estimated cost of the impact of this type of risk, in the short term, as small compared to risks that arise as substantive through the ERM process.

UPS has been, and will continue to be, a leader in taking action and reporting transparently regarding the sustainability of our business. We believe this is the best way to maintain our reputation, and that this Report provides an appropriate example. At the corporate level, UPS maintains a dedicated sustainability working committee that is comprised of cross-functional members, to ensure that all functions are working together toward improving our company's sustainability. Representatives from UPS's Public Relations group are part of this committee, and utilize relevant information to formulate press releases relating to actions promoting sustainability at UPS.

UPS remains at the forefront for implementing initiatives to manage fuel efficiency and mitigate emissions. This is accomplished by rolling out new technology, enhancing operational and management processes, and providing industry leadership. This continued effort enhances UPS's reputation and further reduces its risk. We discuss many examples of these activities in this Report, including:

- Use of routing technology which reduces road miles and fuel.
- Continued deployment of telematics in the UPS ground fleet, which reduces fuel through idle time, mileage reduction and optimizing engine operating parameters.
- Deployment of a "rolling laboratory" of over 1,900 alternative fuel and advanced technology vehicles.
- Using intermodal shifting to reduce emissions; shifting air volume to ground and ground volume to rail where UPS can maintain time-in-transit service commitments.
- Operating a young and energy-efficient air fleet, to minimize the largest source of UPS emissions.
- Offering customers industry-leading services, such as UPS carbon neutral and Eco Responsible Packaging.

*Climate-Related Regulatory Opportunities.* Our ERM process employs a Risk and Control Framework for managing risks and opportunities, which includes consideration of opportunities driven by regulatory changes related to climate change. Through this process, we review multiple potential climate-change regulatory risks and opportunities including, but not limited to, carbon taxes, cap and trade schemes, fuel/energy taxes and regulations, environmental concerns, and changing customers' demands to reduce their carbon footprint. Based on this risk process, the risk/opportunity 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 opportunities relating to climate change have been identified as having the potential to generate substantive change in UPS's business operations, revenue or expenditures in the short term (1 to 5 years ahead).

As a global company with operations in more than 220 countries and territories, UPS is continually evaluating the applicability of current and potential future regulations around the world. As a company that often generates revenue of more than US\$50 billion in a year, UPS regards perceived opportunities to have a minimal effect on its revenue stream, based upon an evaluation of current regulatory opportunities. Estimation of what would represent a substantive change is relative, and depends upon a number of factors, making it difficult to pinpoint with precision in this respect. Upon careful consideration, however, we believe that no current opportunities relating to climate change regulatory issues would generate revenues in an amount that could be considered substantive.



Additionally, any costs imposed as part of climate-related taxes or cap and trade schemes would affect the industry as a whole. We believe that these costs, as with fuel surcharges, would be passed on to customers and therefore should not be viewed as an opportunity.

In consideration of increased demand by customers for transportation efficiency and lower-carbon-footprint services that could be driven by the imposition of climate-related regulations, such as UPS carbon neutral services, no substantive opportunity for revenue impacts is available in the short term (1 to 5 years). More specifically, the UPS carbon neutral service, introduced in 2009, was not designed or priced to generate independent revenue. It is priced to enable UPS's customers to participate in the mitigation of carbon emissions of their supply chains. Consequently, our investment in this service is a commitment to corporate responsibility and to our customers that seek to do business with like-minded companies. In 2010 through 2011, UPS's commitment to a US\$1 million dollar match of offsets purchased by customers further reduced any potential for substantive impact on revenue by this product. In the long term, the expectation of this investment is the retention and attraction of UPS customers that value corporate responsibility in their supply chains.

*Climate-Related Physical Opportunities.* Through the ERM process described previously, we review potential climate-related physical risks, as well as potential opportunities that a risk may bring. These opportunities include, but are not limited to, substantive competitive advantages that could arise as a consequence of changes in temperature, precipitation, snow, ice and tropical cyclones. UPS evaluates physical risks and opportunities caused by both day-to-day changes related to weather and catastrophic weather events. Based on this risk and opportunity process, the risk and opportunity analysis time frame, the financial impact within the timeframe, and the global perspective of providing services in more than 220 countries and territories regarding physical risks and opportunities, no physical opportunities relating to climate change have been identified as having the potential to generate substantive change in UPS's business operations, revenue or expenditures in the short term.

As a global company that has facilities located all over the world, UPS is accustomed to dealing with a wide variance of climate conditions. While we are able to act quickly and implement in-place contingency plans to deal with episodic disruptions, which may represent a competitive advantage, we do not view this as a substantive opportunity over our competitors. Physical impacts of climate change create disruptions to commerce and ultimately reduce the flow of goods in supply chains. UPS's planning horizon for this type of short term opportunity is current, meaning UPS has no way of forecasting when and where these events will occur in the future.

*Other Climate-Related Opportunities.* Through the ERM process described previously, we review potential climate-related opportunities including, but not limited to, changes in reputation, changing consumer behavior, and uncertainty. Based on this process, the analysis time frame, the financial impact within the time frame, and the global perspective of providing services in more than 220 countries and territories, we have not identified other opportunities related to climate that have the potential to generate substantive change in UPS's business operations, revenue or expenditures over the short term (1 to 5 years ahead).



# Workplace



UPS is one of the world's largest employers in the private sector. Our human resource strategy is to employ talented people regardless of their race, gender, gender identity, or sexual preference, and then invest substantially in training, educating and promoting them to increase their capabilities even further. This is critically important to UPS because our workplace is as diverse as the world itself, and only a small proportion of our people work in a typical office building. Approximately 82 percent of UPS workers are involved in freight and package handling, driving motor vehicles, or both.

This means that our workplace includes the roads, streets and highways of the world as well as hundreds of warehouses and vast, complex air hubs. We expect our people to operate vehicles, equipment and information technology tools on deadline with minimal supervision; to be fully committed to safety; and to maintain a positive attitude toward customers and co-workers at all times. We have great respect for people who can deliver this level of performance day in and day out, at every level of the company. This in turn has produced a strong commitment to value individuals and develop them as workers and people. That is why we offer fair compensation, high-quality training, opportunities for education, open doors for promotion, and encouragement to become shareowners of UPS. All these are matters of policy and tradition at UPS, and are discussed as such in the relevant paragraphs below.

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

## Occupational Health And Safety

### Training for Safety on the Job.

UPS conducts one of the private sector's most extensive employee training programs and also provides substantial support for employee education. In 2010, we spent US\$325 million on training and education. Our non-management employees received an average of 10.5 hours of training during the year, and our management employees received an average of 27.1 hours. 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.

We spent US\$175 million (about 50 percent of our training budget) on teaching 90 formal safety training courses in 2010. Our employees devoted approximately 3.8 million hours to safety training during the year. In 2010, we significantly improved the data collection processes for international safety training hours and courses. It allowed us to capture what we believe to be all material global safety training data. Additionally, we changed the methodology for calculating the spend on safety training to reflect actual costs incurred throughout the year versus our previous approach of reporting on budgeted amounts. As in past years, this effort generated positive results as measured in our Key Performance Indicator (KPI) for DART injury rate (days away from work, with restricted activity or transferred to another job due to on-the-job injury). Results for this KPI are shown to the left. In 2010, we expanded the definition of our 2011 goal to include our entire global workforce; previously the goal was defined for the United States. The DART rate has declined steadily over the past five years, and we are on track to reach our global goal for 2011.

With a fleet of well over 99,000 delivery vehicles, safe driving is a major focus for UPS. Our KPI for auto accident frequency is shown on the following page. In 2010, we expanded the definition of our 2011 goal to include our entire global workforce; previously the goal was defined for the United States. As with the DART injury rate, we have made significant progress in improving safe driving around the world, and are on track to meet our global goal for 2011.

In 2010, we honored 1,135 drivers with entry into the UPS "Circle of Honor" in recognition of driving 25 years without an avoidable accident. The Circle of Honor now includes 5,289 drivers who have achieved this remarkable record. Unfortunately, we also deeply regret the fatal auto accidents that claimed the lives of four UPS ground employees and 2 pilots in 2010. Whenever an accident occurs, we invest significant management attention in investigating the cause and improving our procedures and safety training if possible.

KEY PERFORMANCE INDICATOR  
DART Injury Rate per 200,000 Hours—Global Operations

Steady  
Gains

### Injury rate continues to drop.



■ Actual Data    ■ Goals

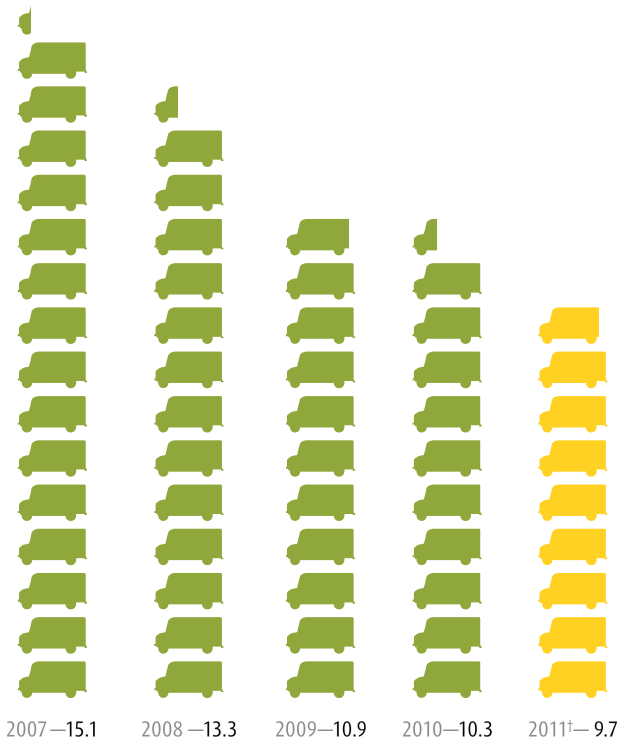
Days away from work, restricted activity, or transferred to another job due to an on-the-job injury. This number represents the number of occurrences per 200,000 hours worked.

\* Revised goal: Global Operations

KEY PERFORMANCE INDICATOR  
Auto Accident Frequency

Steady  
Gains

Continued progress towards 2011 goal.



■ Actual Data  
■ Goals

Total number of vehicular accidents (regardless of severity) per 100,000 driver hours.  
†Revised goal: Global Operations.

We continually increase 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 4,000 CHSP committees in UPS facilities worldwide. They are run primarily by hourly employees with management support. The CHSP committee framework is designed to include approximately 10 percent of the workforce. In addition to the CHSP process, more than 450 employees at UPS work full time to protect the health and safety of UPS employees.

**Programs for Whole-Person Health.**

In 2010, UPS provided health benefits for more than 780,000 employees, retirees, and their dependents. Our benefits programs provide medical, dental, and vision care as well as education programs and tools regarding healthcare and proactive wellness programs. 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 10,000 UPS employees and family members in 2010.
- Our “Wellness Champions” program supports members of the CHSP committees mentioned above. 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, 424,274 UPS employees and/or household members have benefited from the EAP.

## Diversity, Development and Employee Ownership

### 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 2010, 31 percent of our officers and managers came from diverse backgrounds. Within the U.S., our workforce was 17 percent African-American, 9 percent Hispanic, 4 percent Asian-American and 1 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; and
- respecting each employee's point of view.

To further demonstrate our commitment in all areas pertaining to human rights, we adjusted our Code of Business Conduct and our Policy Book. We previously adopted a Human Rights Statement as part of our Code of Business Conduct. For more information see "Human Rights," page 72.

### Opportunities for 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 45 percent of our newly hired part-time employees in 2010. To help them balance work and school, we offer an "Earn and Learn" program at 90 locations in the United States. The program provides tuition assistance while students work part-time at UPS. In 2010, we provided US\$24 million in tuition support to approximately 14,000 students. Since the program began in 1999, we have invested US\$187 million in tuition assistance for approximately 113,000 college students.

We also encourage all management employees to continue their career development and job-related education, in part during annual career development discussions. Approximately 57 percent of UPS management employees received such reviews in 2010, compared to 96 percent in 2009. The difference is due to two major changes in our business in 2010. First, we launched a new career development program for managers, and performance reviews under the new program did not begin until after its launch in May of 2010. Second, we reorganized the management of our largest business segment, U.S. Domestic Package, as described in "Marketplace," page 36. Thousands of management employees and management relationships were affected by the reorganization, resulting in postponement of performance reviews for many of the managers involved. Employees whose positions were eliminated in the reorganization received transition support on an individualized basis. Support service included job placement, severance payments, financial planning, additional training, and counseling.

### 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 56 percent of our current full-time drivers were once part-time employees, and more than 73 percent of our full-time managers (including most vice presidents) were once non-management employees. Our part-time workforce totaled 180,000 people at the end of 2010. During the year 2,642 part-time employees advanced to full-time work. Our management ranks at the end of the year included 1,174 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 employees overall, less than half of one percent come from outside the country where they worked in 2010 (214 expatriates out of 70,838 employees). The majority of our senior international managers are working for UPS in their home countries. Available positions are posted on [www.upsjobs.com](http://www.upsjobs.com), and we also promote from within as described above.

**Women’s Leadership Development.**

Entry-level positions in our business, such as for drivers and package loaders, have traditionally attracted more men than women. Coupled with our focus on promoting from within, this has created a particular need for UPS to develop and retain women for supervisory and management positions. In 2010, 29 percent of our officers and managers 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.

Following the success of the program within the Americas and expansion into Europe in recent years, we commenced the first Women’s Leadership Development activities in Singapore in 2010. Future locations within the Asia Pacific Region include Australia and Malaysia. In 2010, we also launched the Diversity Leadership Development Pilot for Asians, Hispanics and African Americans. This program was modeled after the Women's Leadership Development program and was piloted in 13 districts.

**Employee Ownership.**

Our employees began sharing the benefits of stock ownership in the 1920s. UPS became a public company in 1999. Today we offer multiple stock ownership programs for employees, including, in some countries, a discounted stock purchase plan. In 2010, approximately 92,678 employees were shareholders.



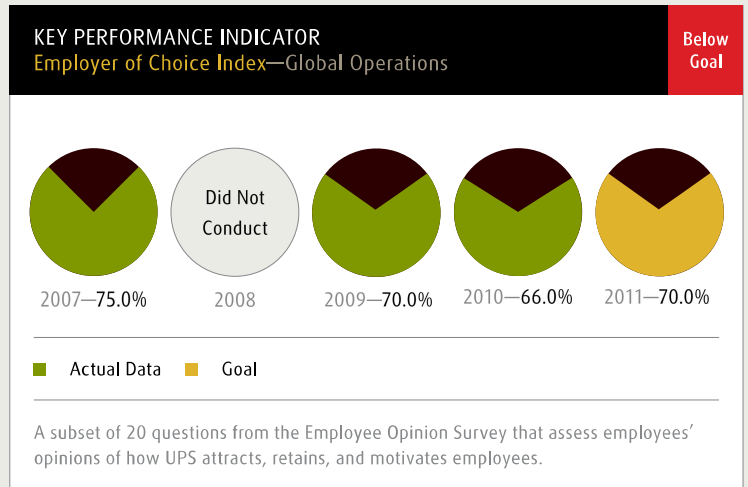
**Labor/Management Relations**

**Employee Satisfaction.**

We devote two KPIs to measurements of employee engagement. The first KPI, shown below, measures full-time employee turnover. Our goal was 14 percent in 2010, and actual turnover was 8.1 percent (see chart). The data for our second employee engagement KPI, shown below, 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 page 72, “Monitoring and Follow-Up”). The data from 2010 indicated that 66 percent of UPS employees consider the company an employer of choice.

**Training and Awareness About Workplace Issues.**

A strong majority of UPS managers began their careers in non-management jobs with the company and have worked in multiple organizations within the company. This includes members of our Management Committee, the most senior management body at UPS. 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.



### Working Relationships with Organized Labor.

One of the most striking qualities of the UPS workforce is that 74 percent of our United States employees are in non-management jobs represented by collective bargaining organizations, and 73 percent of our managers started in those same non-management positions. We believe this is a primary reason for our successful, stable relationships with the unions to which our people belong, such as the International Brotherhood of Teamsters in the U.S. We employed 238,566 Teamsters in 2010, more than any other company in the world. The International Association of Machinists and Aerospace Workers represented 3,285 employees at UPS in 2010, and the Independent Pilots Association represented 2,782 pilots of UPS Airlines. 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.

In 2010, as in most years, we were engaged in contract negotiations with one or more unions and concluded a number of negotiations successfully and on schedule. A dispute arose during the year in Turkey, where a subcontractor that provides workers for UPS dismissed some employees after they joined a local organization which has an affiliation with an international association of transportation workers. The employees sought reinstatement by UPS and engaged the workers association on their behalf. We were able to determine, however, that the local organization had not applied to Turkish authorities for recognition as a union and did not meet the country's requirements to become a collective bargaining organization at UPS. To protect the integrity of our successful business and labor relationships in Turkey, we decided to settle the dispute with the affected employees of the subcontractor on a confidential basis and put the matter to rest.

### STAKEHOLDER STATEMENT

## BlueGreen Alliance



In the history of the United States, organized labor and the environmental movement have different pasts, but they're going to share the same future. The environmental challenges we face as a country can be the next great driver of innovation and economic health. That's why the BlueGreen Alliance was formed. We capture the attention of policy-makers by joining people who once didn't speak to each other by habit: people who care about the environment and people who care about jobs for American workers.

Times change and we have to change with them. We quickly found, though, that advocating new policy proposals to create jobs and protect the environment isn't enough. We needed the support of private enterprise. We need successful companies that understand and embrace new ideas instead of following policy-makers down the same path we're on now. One of those new ideas is that environmental sustainability can be an economic advantage. Another is that working with organized labor is smarter than working against it.

UPS stood out to us as a company that innovates to address its environmental impacts, works successfully with its unions, and understands how business and public policy can work hand in hand. That's a powerful combination. Bringing companies like that to the table changes the conversation for policy-makers. They are more willing to listen and more able to understand that building sustainability into the economy is not necessarily a burden of regulation or stifling to innovation. It's a way to focus our energy and unleash innovation.

The transition from a fossil fuel economy to a green economy is going to take time, but some of the broad outlines are clear. We need to advance and integrate technologies that are separate now. UPS's use of information technology to increase transportation efficiency is a great example of this. We also have to start thinking of transportation infrastructure issues in a much more unified way, not piecemeal. Corporate leaders in transportation and logistics already see this. We need those companies, including UPS, to share their experience and expertise. We need them to lead, because in some ways they are already operating in a future the rest of us need to get to.

—David Foster  
Executive Director, BlueGreen Alliance

## Monitoring and Follow-Up

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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 systematic 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 previous, “Employee Satisfaction”).

UPS is externally monitored by numerous outside stakeholder groups. In 2010, for example, UPS was positively recognized for its performance regarding equal opportunity, diversity, human rights, and other employment issues by:

- Publications and publishers including Bloomberg BusinessWeek; Black Enterprise magazine; Hispanic Business magazine; Human Resource Executive magazine; and The Career Communications Group, publisher of US Black Engineer & Information Technology, Hispanic Engineer & Information Technology and Women of Color magazines.
- Interest groups including Human Rights Campaign (HRC) and Marriott Foundation Bridges program.

## Human Rights

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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. 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 us and them to refer to explicit human rights language in our contracts, policies and other corporate communications.

Organizational responsibility for our human rights policies rests with Allen E. Hill, Senior Vice President, Human Resources. Mr. Hill is a member of the Management Committee, which is responsible for setting and executing all UPS policy. Our Human Rights Statement is incorporated into our Code of Business Conduct, which is available online with our other governance documents. In 2010, we made a number of adjustments to our Code of Business Conduct, Policy Book and other documents to align with the new language recognizing the importance of human rights.

### *Investment and Procurement Practices.*

We do not currently report the percentage and total number of significant investment agreements that include human rights clauses or that have undergone human rights screening. All existing employees of UPS receive annual training on the Code of Business Conduct. All new employees receive this training when they are hired. The Code of Business Conduct is available

on our employee website in 15 languages, including two new languages added in 2010 (Turkish and Korean). In addition, our key suppliers are expected to comply with the tenets of the Code of Business conduct.

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

*Freedom of Association and Collective Bargaining.* We support the rights of our employees to become members of a union, and 76 percent of our United States employees have exercised that right. In addition, we encourage positive relationships with our employees and unions by adhering to the principles outlined in our Policy Book and our collective bargaining agreements. In 2010, we identified no operations in which the right to freedom of association and collective bargaining was at significant risk.

*Child Labor; Forced and Compulsory Labor.* We are not aware of any incidents, violations, complaints, or concerns in our operations involving the use of child labor or forced or compulsory labor 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.* 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 2010.

*Indigenous Rights.* We are not aware of any incidents of violations involving the rights of indigenous people in 2010.



# Community



## Philanthropy, Volunteerism and Urgent Humanitarian Relief

Community and society are not abstract concepts for UPS. We see communities of all kinds from the ground up, every business day, all around the world, from inner cities to rural villages. We consciously strive to make a positive difference in society both in the way we operate our business and in the way we give back to our communities. Along with our core businesses of transportation and logistics services, we also share expertise and business acumen. At the same time, we supplement the resources of communities by providing our people with good jobs and providing community organizations with charitable contributions and volunteers.

Our business benefits society by aggregating the shipping activity of millions of organizations and individuals into a single, highly efficient intermodal logistics network. Like a bus or subway system that helps take many cars off the road, our network takes 2 percent of global GDP and makes the associated logistics more efficient in terms of energy and emissions. This makes it possible for sellers to reach buyers in a more efficient and environmentally responsible way. Furthermore, at UPS we continually strive for decarbonization synergy among multiple modes of transport and with our customers' supply chains. A complete description of this effort is provided in "Environment" beginning on [page 44](#).

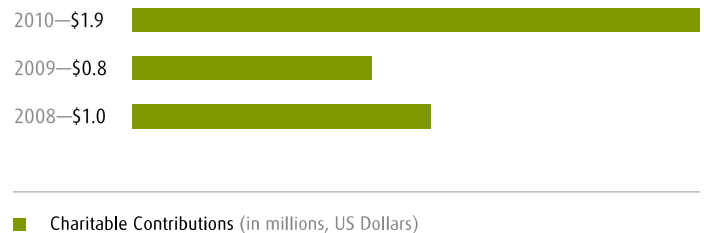
We create a number of additional benefits for society through the operation of our business. These include spending US\$826 million with small and diverse and entrepreneurial vendors. More information on this topic is provided in "Marketplace" on [page 35](#).

In addition, we actively support organizations whose mission is to support small and diverse businesses, including:

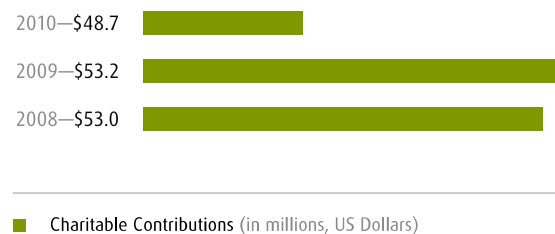
- National Association of Women Business Owners
- Minority Business Development Agency
- National Gay and Lesbian Chamber of Commerce
- National Minority Supplier Development Council
- National Urban League
- National Veteran-Owned Business Association
- Native American Business Alliance
- U.S. Hispanic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

UPS leads the industry in charitable giving, managed primarily by The UPS Foundation. We established the Foundation in 1951 to "accomplish good purposes," in the words of UPS founder Jim Casey, and we fund it from our operating profits. UPS employees and retirees also contribute generously to the United Way campaign each year in North America (the United States, Mexico and Canada). We track the combination of corporate and employee contributions with the Key Performance Indicator shown below. Total charitable contributions were US\$97.1 million in 2010, below the levels in 2008 and 2009 and below our ambitious goal for 2011. When we set the goal, both employment (a significant factor in employee United Way donations) and operating profits (the source of corporate philanthropy) were rising. The recession of 2007-2009 reversed both trends in the short term, and that in turn affected total philanthropic contributions in 2010. Our commitment to philanthropy, at the corporate and individual level, remains strong. For example, UPS employees again logged 1.2 million volunteer hours in 2010—the same amount as in 2009 but with a smaller workforce.

Total In-Kind Transportation Movements—  
Global Operations



Total United Way Donations—  
Global Operations excluding UPS Freight



### The UPS Foundation.

The UPS Foundation directs financial and non-monetary contributions to organizations that support the changing needs of communities in five areas: Diversity, Community Safety, Environmental Sustainability, Nonprofit Effectiveness, and Economic and Global Literacy. The Foundation manages its grants globally, nationally and locally. Total charitable contributions in 2010 by The UPS Foundation increased to US\$46.5 million from US\$44.4 million in 2009. Both financial and in-kind donations increased year-over-year, including substantial donations of in-kind transport and logistics services for disaster relief in Haiti and other countries. Funding directed outside the United States rose to 20 percent of the total in 2010, an increase from 16 percent in 2009 and, 13 percent in 2007.

In 2010, The Foundation continued to focus its resources on a smaller number of grantee organizations to strengthen its relationships and financial commitments. As a result, the number of nonprofit organizations receiving Foundation philanthropy was approximately 2,800, down from more than 3,000 in 2009. This year we are including agencies processed through the UPS Region/District charity programs in the count of the grantee organizations. Following the same methodology, the expanded scope caused 2009 reported grantee organizations to increase from 1,600 to more than 3,000. Nearly 50 percent of these organizations are local to their community, and many are recommended to The Foundation by employees who have contributed more than 50 volunteer hours to the organization. We believe that the combination of financial or in-kind support from The Foundation and hands-on volunteer time from UPS employees significantly increases the likelihood of a positive result for a grantee organization and its constituents.

Our UPS Road Code<sup>SM</sup> safe-driving program for teenagers provides a large-scale example of this combination. The program is offered in conjunction with Boys & Girls Clubs of America. It was developed and rolled out with a three-year grant from The Foundation, and it is taught by UPS volunteers. The four-session training program is based on UPS's own safe driving methods. It features a computer driving simulator and a "driving" test that enables teens to get immediate feedback on how much they have learned. UPS Road Code was offered in 13 cities in the U.S. and the program was expanded into the United Kingdom, with UK Youth, Ltd. More than 2,216 youths participated in 2010.

The Foundation continued its Global Signature partnership with the World Association of Girl Guides and Girl Scouts (WAGGGS) in 2010. Foundation funding has helped WAGGGS to increase the recruitment and retention of volunteers; to support volunteers through training and self-development; and to introduce a system to monitor and appraise volunteer leadership in Brazil, China, Malaysia, Mexico, and South Africa. The Foundation's current multi-year grant to WAGGGS includes several key initiatives including a leadership development series for exceptional candidates, development of a robust e-Learning training program, and global environmental sustainability advocacy programs focusing on carbon reduction and resource conservation.

Micro-lending is one of the ways that UPS supports global trade and the rise of entrepreneurship around the world. The UPS Foundation supports two micro-lending organizations. The two organizations supported by the Foundation help individual entrepreneurs start businesses, create jobs, build assets, and improve the standard of living for their families:

- Opportunity International is helping more than 1.4 million active loan clients and entrepreneurs in 20 developing countries.
- ACCION International works with partners in 31 countries to reach more than 4.9 million active clients with loans and financial services.

Organizational responsibility for executing our philanthropic policies rests with Ken Sternad, President, The UPS Foundation. More information about The UPS Foundation is available online.

### The UPS Foundation: 2010 Programs and Highlights

- Global philanthropy increased to US\$46.5 million, benefiting nearly 2,800 nonprofit organizations.
- In-kind donations of transportation and logistics services reached their highest level ever, at US\$1.9 million, primarily including disaster relief for Haiti.
- International grants increased to 20 percent of total funding.
- Nearly 50 percent of grant recipients are local and community-based, with many selected based on recommendations from UPS employees.
- The Foundation expanded its Global Signature Program with World Association of Girl Guides and Girl Scouts (WAGGGS).
- Funding for humanitarian relief organizations included support for American Red Cross, UNICEF, the World Food Programme, CARE, and the Aidmatrix Foundation.
- Foundation support continued for micro-lending organizations around the world, including Opportunity International and ACCION International.
- UPS Road Code<sup>SM</sup>, a multimedia safe-driving program for teenagers funded by a Foundation grant, expanded to 13 cities around the United States and was introduced to the United Kingdom.

### United Way Contributions.

UPS employees have a long history of donating generously to the annual United Way campaign. A total of 229,655 active employees and 105 retirees participated for the 2010 pledge year, raising US\$48.7 million. UPS remains the top corporate contributor to United Way over time, with more than US\$1 billion in total support since the partnership began in 1982. A stakeholder perspective on UPS's relationship with United Way is provided to the right. We provide a multi-year quantitative view of United Way contributions by UPS employees and retirees shown below. Results for the 2010 campaign were lower than in 2009 primarily because we had fewer employees in the U.S. after intentional downsizing through attrition during the recession and a market-driven reorganization of our U.S. Domestic Package segment early in 2010.

#### KEY PERFORMANCE INDICATOR

**Total Charitable Contributions,**  
Global Operations, excluding UPS Freight. Includes The UPS Foundation grants, in-kind services and employee/retiree donations to United Way (U.S. Dollars in millions)

Below  
Goal

### Charitable contributions decreased in 2010.



■ Actual Data ■ Goal

#### STAKEHOLDER STATEMENT

## United Way



When companies join the Global Corporate Leadership program, we look for them to move beyond the United Way workplace giving campaign and into a much broader relationship with us. One aspect is helping us take our work outside the U.S.—United Way Worldwide is now operating in 41 countries. Another is expanding their volunteer programs. In return, we help our partners achieve their own corporate citizenship goals.

UPS is at the front of the line when it comes to this kind of stakeholder engagement, and there are historical reasons for that. Our organizations have a 29-year history together, and over that time the employees, retirees and foundation of UPS have raised more than US\$1 billion for communities in partnership with United Way—more than any other company. UPS employees also sit on many local United Way boards in the U.S.

I believe this level of support comes from some shared cultural characteristics. Both our organizations appreciate efficiency and getting results. On a day-to-day basis, UPS drivers see the same thing that United Way does: the state of local communities and what their needs are. That is a strong overlay with what we do. UPS trusts that United Way knows what the issues are for communities, and how to address them.

Because of that trust, and the integration of our two organizations, we're always finding new opportunities to partner. It can be local or global. As part of our recovery work in the Gulf Coast improving financial stability for individuals and families, UPS sponsored the rebuilding of two homes destroyed by Hurricane Katrina—and that included 50 UPSers who showed up to physically rebuild each home. When we prepared to launch United Way Worldwide in 2009, UPS offered us practical insight into how to create an efficient global organization, and also provided a grant to help set it up. This is the kind of Global Corporate Leadership partner we look for, and it's what we have in UPS.

—Tracy Nilles  
Vice President, Global Corporate Leadership, United Way

## UPS Volunteer Hours

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

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

### Employee Volunteerism.

We believe that one of the best examples of UPS's corporate culture is the commitment of UPS employees and their families to serve in their communities. In 2010, they contributed 1.2 million hours of volunteer service to community organizations. This is the same high level they reached in 2009, when the workforce was larger. During Global Volunteer Month in October 2010, more than 28,000 people in 50 countries donated 250,000 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.

### Urgent Humanitarian Relief Efforts Expand.

Each year, UPS provides funding, expertise and in-kind donations of services and facilities to agencies providing urgent humanitarian aid and disaster relief around the world. In 2010, The UPS Foundation supported the world's most respected relief organizations, including the American Red Cross, UNICEF, the U.N. World Food Programme, CARE, and the Aidmatrix Foundation. In addition to Foundation activities, UPS as a whole continued to expand its international humanitarian relief role. We responded within hours of the major earthquake that struck Haiti in January of 2010, pledging and providing both financial aid, skilled volunteers and in-kind support (see sidebar on [page 77](#)). We also donated air transport of specialized equipment used to free 33 miners trapped far underground in Chile.

## STAKEHOLDER STATEMENT

## CARE



Like all successful NGOs, CARE is driven by mission. Our resources go to the mission, and we look for complementary resources that support it. So when we formed our partnership with UPS, we explained that we wanted more than financial support. We wanted them to improve how we accomplish our mission.

They understood and came forward. They spent two months assessing our network in different parts of the world, so that they could help us improve our supply chain. They make their planes, trucks and warehouses available to us. They provide access to people, technology and other organizations that they support. In all this, UPS is proving its commitment to humanitarian aid, and that is an area where we can support them. Our relationship is working on so many levels, you could say that we have a "vertically integrated" partnership.

It helps to have similar values. For example, it is seamless for CARE and UPS to work together, because both organizations are egalitarian and performance-driven. We both operate all around the world, with people of all nations. We have an easy conversation about what to do and how to achieve it.

For example, after a cyclone hit Myanmar in 2008, the border did not open right away. So, working with UPS, we staged relief supplies as close to the disaster as we could. When the border opened, we were ready. New ideas like this become standard operating procedure very quickly. And when we have ideas, they listen. They've introduced new technology solutions that strengthen our supply chain and ultimately our local response capabilities. For example, we were able to field-test and validate an inventory automation solution during the Haiti earthquake response. We're now using it there and in other contexts globally to increase our service delivery accountability.

In today's world, it is not enough for an NGO to say, "we do good." NGOs have to deliver a lot more, and their corporate partners need to step up as well. We are seeing increased interest by corporate partners to collaborate in ways that go beyond financial commitments, and UPS is a great example of this type of multifaceted collaboration. It's an exciting time.

When organizations see the same problems and can create strong solutions together, they must act. That is the model that we have with UPS. It's a model that we can now take to other potential partners, with other core competencies, and deliver on our mission even more successfully.

—Rigoberto Giron

Associate Vice-President, Strategic Initiatives and Supply Chain Management Global Support, CARE USA

## Putting it All Together for Disaster Relief

One of UPS's fundamental principles of philanthropy is that the best results come from combining three things: cash and in-kind donations of UPS resources, the skills and experience of UPS volunteers, and a partner organization facing a challenge. They all came together in Port Au Prince after the earthquake rocked Haiti in early January of 2010. The day of the quake, UPS pledged US\$1 million in aid, including substantial in-kind donations for staging disaster relief supplies, shipping them into Haiti, and helping to distribute them. As UPS swung into action as a corporation, UPS executive Craig Arnold went into action as a volunteer. He had visited Haiti a number of times, and one of his friends in Port au Prince managed a Salvation Army school and home for Haitian children. He knew that if he could get there, he would be in a position to help the Salvation Army—with a little help from his company.

When he arrived on a private plane just days after the quake, he learned that the school and home had survived—one of the few large compounds to do so—and the Salvation Army was now running a “camp” of several thousand people without food, water or shelter. Arnold was there when the first UPS relief flight landed at Port au Prince airport with nearly 170,000 meals. “I was never more proud of my company at that moment,” he remembers. As relief supplies began to reach the city, he helped to distribute them in the camp. This process was chaotic, because the only system available for ensuring fair shares for everyone was hand-written records on paper index cards. It was too easy to for some people to get more than their share, and others to get nothing.

With his knowledge of UPS logistics, Arnold knew there was a better way: giving residents in the camp their own laminated ID cards with barcodes that could be scanned for each day's distribution. The scanning would be done with the same handheld Trackpad that UPS uses millions of times a day. Even though he was working independently of the main UPS disaster relief effort, it took Arnold only a few phone calls to organize company support for his idea. He sent a list of camp residents to UPS in the United States, and the barcodes came back the next day. The Trackpads followed soon afterward, already configured for their new assignment. The time and equipment were all donated to the Salvation Army.

Arnold had to return home after a few weeks—he had taken personal vacation time to volunteer in Haiti—but when he came back to the camp in October for UPS's annual Volunteer Month, the UPS Trackpad system was still making disaster relief more efficient and equitable.

## Operating Responsibly in Society

This Report describes ethics and governance at UPS in detail, including qualitative and quantitative disclosures and links to online resources (see “Profile,” page 30). We also discuss corporate responsibility in the workplace and with suppliers (“Workplace,” page 72). Here we present additional information from the point of view of our stakeholders in society, who are concerned with specific issues such as corruption, anti-competitive behavior and compliance with law and regulation.

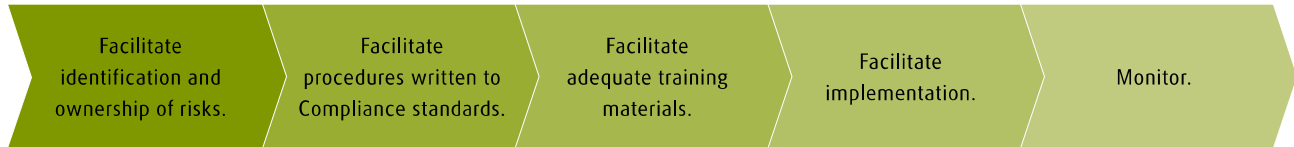
In 2010, we continued to invest significant management attention in these matters, in part due to our rapid international expansion and our growing number of suppliers, subcontractors, agents, partners, and third-party relationships around the world. We recognize that acceptable practices vary from country to country. We recognize also that we bear responsibility for systematically establishing and enforcing high standards for responsible behavior in all our business relationships. We have developed a five-step process to ensure measurable compliance effectiveness in all of our international package, freight and distribution business entities, and we are actively implementing it.

For example, in 2010 we revised and updated 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 2010, we conducted audits in 11 countries, including businesses with which we have both direct and third-party relationships.

Comprehensive training on compliance and ethics programs is completed every other year by approximately 44,000 UPS full-time managers and specialists, with a goal of 100 percent participation. The UPS Code of Business Conduct is reviewed by all managers and specialists each year. They also complete an annual business ethics questionnaire. Both the training and questionnaire have two purposes. The first is to refresh and reinforce the training our people have already received regarding ethical behavior on the job. The second is to proactively identify events, situations or relationships that could lead to risks related to corrupt or anti-competitive behavior.

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 above rests with Teri McClure, Senior Vice President of Legal, Compliance & Public Affairs, General Counsel and Corporate Secretary, along with the Nominating and Corporate Governance Committee of the Board of Directors. Additionally, the UPS Audit Committee is responsible for overseeing the company's compliance obligations related to accounting and financial reporting. Our Code of Business Conduct is available online in the Investor section of our website.

## UPS Compliance Process

**Corruption.**

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 2010 from any government agency around the world responsible for oversight of this issue.

**Anti-Competitive Behavior.**

Our policy is to comply with all applicable laws, rules and regulations, in all countries where we operate. The UPS Code of Business Conduct includes policies and procedures that prohibit UPS employees, and the people acting on our behalf, from engaging in anti-competitive behavior, antitrust activities or monopolistic practices. In February 2010, UPS and four other companies were charged by the European Commission (“the Commission”) with illegally fixing prices for certain air freight services to and from the 30-country European Economic Area (EEA). The Commission emphasized that the issuing of formal charges does not “prejudge” whether findings of guilt will be rendered. We intend to present a vigorous defense in this proceeding against any allegation of wrongdoing. UPS has received and responded to related information requests from competition authorities in other jurisdictions. We are cooperating with each of these inquiries. At this time, we are unable to determine the amount of any liability that may result from these matters or whether such liability, if any, would have a material adverse effect on UPS’s financial condition, results of operations, or liquidity.

**Compliance.**

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

**Public Policy.**

Along with facing tough competition and the challenges of entering new markets, UPS must continually adapt to new laws and regulations. Legislative and regulatory changes can limit our opportunities for growth, and government policies and legislation often have a deep impact on how we do business. We present our views on these topics to a wide range of policy makers and stakeholder groups. Our venues for making this case include active participation in trade associations, interactions with public officials, submitted op-ed pieces in the media, and support for regulatory and legislative action that we believe is beneficial to UPS, our markets, and the communities we serve. Our nonpartisan political action committee, UPSPAC, enables our employees in the United States to aggregate and channel their political donations to political candidates who support such action. In 2010, UPSPAC donated approximately US\$2.2 million in the United States to candidates at the federal, state, and local levels.

We emphasize two major themes in our public policy advocacy efforts. The first is that global trade, free enterprise and fair trade are good for our company, our country and the global economy. The second is that operating sustainably is good for business, because it creates new opportunities for success and leadership (see [page 39](#)). We invest significant time and energy in bringing elected officials and policy makers to our operations centers so they can learn firsthand how increasing the efficiency of global logistics and transport helps the world economy operate more sustainably. We also publicize innovations, such as our investments in alternative fuel technology and emissions reductions that can help create greater awareness of climate change and influence changes in public policy.







# Appendix A

## Key Performance Indicators: Summary of Definitions and Results

KPI DESCRIPTION	SCOPE OF DATA	ADDITIONAL DATA	2007	2008	2009	2010	2011 GOAL	2020 GOAL
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.	1.14%	0.59% 4.00%	1.00% 1.10%	1.12% 1.24%	0.00%	—
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.	1.54 0.174	1.28 0.139	1.18 0.138	1.19 <b>0.134</b>	—	—
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).	30.04 3.39	30.40 3.32	29.33 3.44	<b>29.23</b> <b>3.30</b>	—	—
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	0.127	0.121	0.117	—	—
Aircraft Emissions per Payload Capacity	UPS Airlines— Global Operation	Total emissions of HC, CO and NO <sub>x</sub> in kgs divided by the sum of max structural payload capacity (in thousands of kgs) weighted by annual aircraft cycles.	0.8	0.76	0.75	<b>0.73</b>	0.74**	—
CO <sub>2</sub> 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).	2.23* 25.09*	2.25* 24.61*	2.20 25.81	2.18 <b>24.65</b>	—	—
Number of Reportable Spills	U.S. Domestic Package U.S. Supply Chain & Freight	Spills that meet criteria of being federal or state reportable.	49	82	75 38	<b>67</b> 41	0	—
Aviation Gallons Burned per 100 Available Ton Miles	UPS Airlines— Global Operations	Gallons of jet fuel consumed by aircraft type by lane segment divided by (air distance by lane segment X maximum payload in tons) divided by 100.	7.22	6.73	6.63	<b>6.57</b>	6.57**	6.27
CO <sub>2</sub> Pounds per Available Ton Mile	UPS Airlines— Global Operations	Pounds of CO <sub>2</sub> emitted for every ton of capacity transported one nautical mile.	1.52	1.42	1.4	1.39	—	1.24
Total Charitable Contributions	Global Operations excluding UPS Freight	Includes The UPS Foundation grants, in-kind services and employee/retiree donations to United Way.	US\$ 98.8M	US\$ 100.9M	US\$ 97.6M	US\$ 97.1M	US\$ 103.5M	—
Full-Time Employee Turnover Rate	Global Operations	Percent of all full-time employees that leave our company annually.	9.6%	9.0%	7.4%	<b>8.1%</b>	15.0%**	—
Employer of Choice Index	Global Operations	A subset of 20 questions from the Employee Opinion Survey that assess employees' opinions of how UPS attracts, retains, and motivates employees.	75.0%	Did not conduct	70.0%	66.0%	70.0%	—
DART Injury Rate per 200,000 Hours	Global Operations	Days away from work, restricted activity, or transferred to another job due to an on-the-job injury. This number represents the number of occurrences per 200,000 hours worked.	6.8	5.0	4.2	<b>4.1</b>	3.9	—
Auto Accident Frequency	Global Operations	Total number of vehicular accidents (regardless of severity) per 100,000 driver hours.	15.1	13.3	10.9	<b>10.3</b>	9.7	—

\* These numbers remain CO<sub>2</sub> (2009 and 2010 numbers are CO<sub>2</sub>e)

\*\* New goal in process.

Green Type - already met 2011 goal

Orange Type - improved results from last year



# Appendix B

## Statement of Greenhouse Gases (GHG) Emissions for the years ended December 31, 2010 and 2009

GHG Performance			
* Restated (See Note 1)			
Global CO <sub>2</sub> e Emissions (‘000 tonnes)	2010	2009 (unaudited)	% Change 09/10 (unaudited)
BY SCOPE			
Scope 1	11,713	11,437	2.4%
Scope 2	917	924	-0.8%
Total Scope 1 & 2	12,630	12,361	2.2%
Scope 3	9,865	6,373*	55%
Total Scope 1, 2 & 3	22,495	18,734	20%
Voluntary carbon offsets for Scope 1 CNS (retired)	(2.7)		
Voluntary carbon offsets for Scope 2 CNS (retired)	(0.2)		
Voluntary carbon offsets for Scope 3 CNS (retired)	(0.3)		
Net Global CO <sub>2</sub> e Emissions	22,492		

## Notes to Statement of Greenhouse Gases (GHG) Emissions for the years ended December 31, 2010 and 2009

### 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 (second draft released November 2, 2010). Scope 3 emissions for 2010 included five of the fifteen possible Scope 3 categories whereas 2009 included two of the fifteen categories. UPS restated the 2009 Scope 3 inventory, due to an error detected in the source document used to calculate ocean GHG emissions, which resulted in an overstatement of Scope 3 emissions by approximately 917,000 tonnes of CO<sub>2</sub>e. This restatement stems directly from the ongoing work to increase the comprehensiveness and accuracy of our reporting.

Collectively, the Corporate Accounting and Reporting Standard, Revised Edition and Corporate Value Chain (Scope 3), Accounting and Reporting Standard (second draft released November 2, 2010) 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.

*Greenhouse gases.* All GHG emissions figures are in metric tonnes of carbon dioxide equivalents (CO<sub>2</sub>e) and include four of the six greenhouse gases covered by the Kyoto Protocol—carbon dioxide (CO<sub>2</sub>), methane (CH<sub>4</sub>), nitrous oxide (N<sub>2</sub>O) and hydrofluorocarbons (HFCs). Perfluorocarbons (PFCs) and sulphur hexafluoride (SF<sub>6</sub>) 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 CO<sub>2</sub>”. By using GWPs, GHG emissions from multiple gases can be standardized to a carbon dioxide equivalent (CO<sub>2</sub>e). The global warming potentials used are:

Gas	Global Warming Potential (GWP)	Reference
Carbon Dioxide (CO <sub>2</sub> )	1	Second Assessment Report (SAR) published by Intergovernmental Panel on Climate Change
Methane (CH <sub>4</sub> )	21	
Nitrous Oxide (N <sub>2</sub> 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 2010, UPS is reporting on the following five of the fifteen Scope 3 categories described by the Greenhouse Gas Protocol Corporate Value Chain (Scope 3) Accounting & Reporting Standard (Second Draft): fuel and energy related activities, business travel, employee commuting, transportation and distribution, and franchises. For 2009, UPS is reporting on business travel and transportation and distribution only.

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 2010 or 2009 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 2010 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 88% of the total Scope 2 emissions. Well-established processes are in place to capture the primary data for these sources.  International Operations represent 12% of the total Scope 2 emissions.
Scope 3	+/- 8%	Use of secondary data	For 2010, UPS is reporting on five of the fifteen Scope 3 categories described in the new Greenhouse Gas Protocol Corporate Value Chain (Scope 3) Accounting & Reporting Standard (Second Draft).  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 1.0 (Jul 2009) and US Environmental Protection Agency Climate Leaders GHG Inventory Guidance (May 2008)
Scope 2 - U.S.	US Environmental Protection Agency eGRID2010
Scope 2 - Other than U.S.	GHG Protocol Emission Factors from Cross-Sector Tools version 1.0 (Jul 2009)
Scope 3 - Global	GHG Protocol Emission Factors from Cross-Sector Tools version 1.0 (Jul 2009) and US EPA Climate Leaders GHG Inventory Guidance (May 2008)

*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, 2010

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 CO<sub>2</sub> generation or sequestration of CO<sub>2</sub> 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)	CRT	Forestation	250
Chol Charoen Group Wastewater Treatment with Biogas System 1 (Cholburi)	Thailand	VCS-Int'l	Wastewater Methane Destruction	500
Curva de Rodas and La Pradera landfill gas management project	Columbia	VCS-Int'l	Landfill Gas Destruction	611
Fuzhou Hongmiaoling Landfill Gas to Electricity Project	China	VCS-Int'l	Landfill Gas Destruction	1,800
2010 Total Offsets				3,161

**Note 3: Emissions by Business Unit for the years ended December 31, 2010 and 2009**

2010 by Business Unit*				*Arrows relative to 2009 figures
Global CO <sub>2</sub> 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

2009 by Business Unit (unaudited)				**Restated (see Note 1)
Global CO <sub>2</sub> e Emissions ('000 tonnes)	U.S. Pkg Ops	Int'l Pkg Ops	Global SC&F	Totals
Scope 1	6,566	3,720	1,151	11,437
Scope 2	702	63	159	924
Total Scope 1 & 2	7,268	3,783	1,310	12,361
Scope 3**	500	1,266	4,607	6,373
Total Scope 1, 2 & 3	7,768	5,049	5,917	18,734

**Note 4: CO<sub>2</sub>e Intensity for the years ended December 31, 2010 and 2009**

2010 CO <sub>2</sub> e Intensity*				*Arrows relative to 2009 figures
Global CO <sub>2</sub> 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
CO <sub>2</sub> e '000 tonnes / \$M Revenue				
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

2009 CO <sub>2</sub> e Intensity (unaudited)				
Global CO <sub>2</sub> e ('000 tonnes / \$M Revenue)	U.S. Pkg Ops	Int'l Pkg Ops	Global SC&F	Totals
Revenue in millions	\$28,158	\$9,699	\$7,440	\$45,297
Scope 1	0.233	0.384	0.155	0.252
Scope 2	0.025	0.006	0.021	0.020
Combined Scope 1 and 2	0.258	0.390	0.176	0.273
Scope 3	0.018	0.131	0.619	0.141
Total	0.276	0.521	0.795	0.414

**Note 5: Emissions by Source for the years ended December 31, 2010 and 2009**

Emissions by Source			
Global CO <sub>2</sub> e Emissions ('000 tonnes)	2010	Percent to Scope 1 and 2 Reported Emissions 2010	2009 (unaudited)
<b>Mobile</b>			
Jet-A	6,948	55.0%	6,525
Diesel	3,965	31.4%	4,071
Gasoline	510	4.0%	534
CNG	12	0.1%	12
Propane/LPG	38	0.3%	33
LNG	0.4	0.003%	0.4
HFC's (fugitive)	6.6	0.1%	6.6
Subtotal	11,480	90.9%	11,182
<b>Stationary</b>			
Natural Gas	208	1.6%	243
Heating Oil	12	0.1%	4
Propane	13	0.1%	8
Electricity	917	7.3%	924
Subtotal	1,150	9.1%	1,179
Total Mobile and Stationary	12,630	100%	12,361

**Note 6: Emissions by Greenhouse Gas Scope and Type for the year ended December 31, 2010**

Emissions by Greenhouse Gas Scope and Type				
Global CO <sub>2</sub> e Emissions ('000 tonnes)	Carbon Dioxide (CO <sub>2</sub> )	Methane (CH <sub>4</sub> )	Nitrous Oxide (N <sub>2</sub> O)	HFCs
Scope 1	11,620	5	81	6.6
Scope 2	913	0.4	4	n/a
Scope 3	9,764	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, 2010 and 2009**

Scope 3 Emissions by Source			
Global CO <sub>2</sub> e Emissions ('000 tonnes)	2010	% emissions calculated from primary data for 2010	2009 (unaudited)
<b>Total Scope 3 Emissions</b>	<b>9,865</b>		<b>6,373</b>
<b>Upstream</b>			
1. Purchased goods & services	Not reported	—	Not reported
2. Capital Goods	Not reported	—	Not reported
3. Fuel & Energy Related (not incl. SC1&2)	1,181		Not reported
<i>Jet-A (well to pump)</i>	762	100%	—
<i>Diesel (well to pump)</i>	323	100%	—
<i>Gasoline (well to pump)</i>	93	100%	—
<i>CNG (well to pump)</i>	3	100%	—
<i>LPG (well to pump)</i>	0	100%	—
4. Transportation & distribution	Not reported	—	Not reported
5. Waste generated in operations	Not reported	—	Not reported
6. Business Travel	87		79
<i>Business travel - Air</i>	41	0%	36
<i>Business travel - Rail</i>	0	0%	0
<i>Business travel - Car Rental</i>	15	100%	13
<i>Business travel - Personnel Vehicle</i>	31	0%	30
7. Employee Commuting	1,651		Not reported
<i>U.S. Pkg Ops</i>	1,210	0%	—
<i>Int'l Pkg Ops</i>	315	0%	—
<i>Global SC&amp;F</i>	126	0%	—
8. Leased Assets	Not reported	—	Not reported
9. Investments	Not reported	—	Not reported
<b>Downstream</b>			
10. Transportation & distribution	6,891		6,294
<i>Subcontracted Air</i>	4,331	0%	4,228
<i>Subcontracted Ground</i>	1,294	0%	1,080
<i>Subcontracted Rail</i>	320	0%	316
<i>Subcontracted Ocean</i>	946	0%	670
11. Processing of sold products	Not reported	—	Not reported
12. Use of sold products	Not applicable	—	Not applicable
13. End-of-Life Treatment of sold products	Not reported	—	Not reported
14. Leased Assets	Not reported	—	Not reported
15. Franchises	55		Not reported
<i>UPS Stores - Electricity</i>	48	0%	
<i>UPS Stores - Natural Gas</i>	7	0%	



**Note 8: Operational Boundary – Detailed Description**

	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"> <li>• Diesel &amp; gasoline used in UPS owned/ leased vehicles to transport, pickup and deliver small packages</li> <li>• Gasoline used for company-leased cars used by employees in United Kingdom, France, Germany and Japan</li> </ul>	<ul style="list-style-type: none"> <li>• Diesel &amp; gasoline used in UPS owned/ leased vehicles to transport, pick up and deliver freight or packages</li> <li>• Gasoline for company-leased cars used by employees in U.S., Canada, United Kingdom, France and Germany</li> <li>• Diesel used in refrigerated trailers in U.S. freight operations</li> </ul>
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
Upstream Fuel & Energy Related (WRI Category 3)	3	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 and LPG.		
Upstream Business Travel (WRI Category 6)	3	Includes the Scope 3 emissions that occur from air and rail travel, rental cars and the use of personnel vehicles for business-related activities for our global operations. <i>Does not include any optional life cycle emissions.</i>		
Upstream Employee Commuting (WRI Category 7)	3	Includes the Scope 3 emissions that occur for the transportation of our employees between their homes and their workplace for our global operations. <i>Does not include any optional emissions from employee teleworking.</i>		

<p>Downstream Transportation &amp; Distribution (WRI Category 10)</p>	<p>3</p>	<p>The Scope 3 emissions from purchased transportation (air, ground &amp; rail) for the pick-up, transportation and delivery of packages for our U.S. Package Operations. <i>Does not include any optional life cycle emissions.</i></p> <p>Includes emissions associated with:</p> <ul style="list-style-type: none"> <li>• Packages moved by third parties via small feeder aircraft or leased jet aircraft</li> <li>• Packages transported by rail in the U.S.                             <ul style="list-style-type: none"> <li>- Packages transported by third party carriers via tractor-trailers</li> <li>- Last-mile delivery of packages by the U.S. Postal Service</li> <li>- Packages picked up, transported and delivered by a third party carrier in Alaska</li> </ul> </li> </ul>	<p>The Scope 3 emissions from purchased transportation (air, ground &amp; rail) for the pick-up, transportation and delivery of packages for our International Package Operations. <i>Does not include any optional life cycle emissions.</i></p> <p>Includes emissions associated with:</p> <ul style="list-style-type: none"> <li>• Packages moved by third parties via chartered aircraft, leased jet aircraft, commercial airlines, or the air services of other small package delivery companies</li> <li>• 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                             <ul style="list-style-type: none"> <li>- Packages transported across the UK Channel by third parties via railroad or ferry</li> <li>- Packages transported by rail in Canada</li> </ul> </li> </ul>	<p>The Scope 3 emissions from purchased transportation (air, ground, rail &amp; ocean) for the pick-up, transportation and delivery of packages/freight for our Global SC&amp;F Operations. <i>Does not include any optional life cycle emissions.</i></p> <p>Includes emissions associated with:</p> <ul style="list-style-type: none"> <li>• 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)</li> <li>• 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)</li> <li>• Supply Chain Solutions: Purchased ocean transport for our global supply chain operations                             <ul style="list-style-type: none"> <li>- 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</li> </ul> </li> </ul>
<p>Franchises (WRI Category 15)</p>	<p>3</p>	<p>Estimated electricity and natural gas usage for 4,389 UPS Stores serving our U.S. Package operations</p>	<p>Estimated electricity and natural gas usage for 354 UPS Stores located in Canada and India serving our International Package operations</p>	<p>Not Applicable</p>

# 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 year ended December 31, 2010. The Company’s management is responsible for the Statement of GHG. 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 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 five of the fifteen Scope 3 categories described in the Greenhouse Gas Protocol Corporate Value Chain (Scope 3) Accounting & Reporting Standard (Second Draft): fuel and energy related activities, 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 previously for the year ended December 31, 2010, is presented, in all material respects, in conformity with the Greenhouse Gas Protocol published by the World Business Council for Sustainable Development and the World Resources Institute, Revision March 2004 for Scopes 1 and 2 and the World Resources Institute/World Business Council for Sustainable Development Greenhouse Gas Protocol: Corporate Value Chain (Scope 3), Accounting and Reporting Standard (second draft released November 2, 2010) for Scope 3.

The accompanying 2009 Statement of GHG Emissions was not examined by us, and, accordingly, we do not express an opinion on it.

*Deloitte & Touche LLP*

Detroit, Michigan  
May 27, 2011



# 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 (CO<sub>2</sub>e) as provided in their 2010 GHG Assertion dated 25/5/2011.

### 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 01/01/2010 – 31/12/2010.

### 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 downstream 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 (second draft released November 2, 2010).

### 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 2010
- 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: CO<sub>2</sub>, CH<sub>4</sub>, N<sub>2</sub>O, 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 2010 to 31st December 2010 disclosing emissions of 22,495 thousand metric tonnes of CO<sub>2</sub> 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: 11,713 thousand tonnes of CO<sub>2</sub>e
- Scope 2: 917 thousand tonnes of CO<sub>2</sub>e
- Scope 3: 9,865 thousand tonnes of CO<sub>2</sub>e

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 three thousand tonnes of CO<sub>2</sub> 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  
27th May 2011

# Appendix D

## Initiatives to Reduce Greenhouse Gas Emissions and Reductions Achieved

### 2010 Carbon Intensity Emissions Reductions

Emissions Reduction Description The following three metrics are the components of the: UPS Transportation Index	Absolute CO <sub>2</sub> e emission avoided in 2010 (metric tonnes)	2010 CO <sub>2</sub> e Intensity	2009 CO <sub>2</sub> e Intensity
U.S. Domestic Package: Absolute CO <sub>2</sub> e Avoided	115,532*	2.68	2.76
Primary contributing factors / initiatives: <ul style="list-style-type: none"> <li>• Routing technology for ground fleet vehicles (page 47)</li> <li>• Telematics (page 48)</li> <li>• Alternative fuel/technology vehicles (page 49)</li> <li>• Other miles reduction initiatives</li> <li>• Improvement in trailer utilization (# of packages per trailer)</li> </ul>			<ol style="list-style-type: none"> <li>1) Scope is U.S. Domestic Package ground movements</li> <li>2) CO<sub>2</sub>e Intensity factor expressed in lbs CO<sub>2</sub>e per Package</li> <li>3) Avoided Absolute CO<sub>2</sub>e = (2009 CO<sub>2</sub>e Intensity x 2010 # of packages) - (2010 CO<sub>2</sub>e Intensity x 2010 # of packages)</li> </ol>
UPS Airlines: Absolute CO <sub>2</sub> e	36,302*	1.40	1.41
Primary contributing factors / initiatives: (page 52) <ul style="list-style-type: none"> <li>• lower flight speeds,</li> <li>• computer-optimized flight plans,</li> <li>• computer-managed aircraft gate departures, arrivals and taxi times,</li> <li>• single-engine used to taxi,</li> <li>• environmentally friendly paint that reduces drag,</li> <li>• engine cleaning, and</li> <li>• acquisition and retirement of aircraft.</li> </ul>			<ol style="list-style-type: none"> <li>1) Scope is UPS Airlines - Global Operations</li> <li>2) CO<sub>2</sub>e Intensity factor expressed in lbs CO<sub>2</sub>e per ATM</li> <li>3) Avoided Absolute CO<sub>2</sub>e = (2009 CO<sub>2</sub>e Intensity x 2010 ATM) - (2010 CO<sub>2</sub>e Intensity x 2010 ATM)</li> </ol>
U.S. Supply Chain & Freight: Absolute CO <sub>2</sub> e Avoided	150,630*	0.24	0.27
Primary contributing factors / initiatives: <ul style="list-style-type: none"> <li>• Increased use of rail</li> <li>• Telematics (page 48)</li> <li>• Integration of Freight and U.S. Domestic Package networks</li> </ul>			<ol style="list-style-type: none"> <li>1) Scope is U.S. Supply Chain &amp; Freight ground movements</li> <li>2) CO<sub>2</sub>e Intensity factor expressed in lbs CO<sub>2</sub>e per lb of freight</li> <li>3) Avoided Absolute CO<sub>2</sub>e = (2009 CO<sub>2</sub>e Intensity x 2010 lbs of freight) - (2010 CO<sub>2</sub>e Intensity x 2010 lbs of freight)</li> </ol>
<b>Total</b>	<b>302,464* metric tonnes</b>		

\*Absolute CO<sub>2</sub>e emissions avoided in 2010 are estimated from the intensity factor improvements from 2009 to 2010

### 2010 Intermodal Shift Emissions Reductions

Emissions Reduction Description	Absolute CO <sub>2</sub> e emission avoided in 2010 (metric tonnes)
Air to Ground Mode Shift (U.S. Package Operations)	1,758,665
Ground to Rail Mode Shift (U.S. Package Operations)	747,981
<b>Total</b>	<b>2,506,646</b>

\*Absolute CO<sub>2</sub>e emissions avoided in 2010, due to intermodal shifts that occur in the U.S. Domestic Package





# Appendix E

## Enterprise Energy Performance

### Energy Performance

Global Energy ('000 Gjs)	2010	2009	% Change 09/10
Direct Energy	165,729	161,912	2.4%
Indirect Energy	5,745	5,736	0.2%
<b>Total Energy</b>	<b>171,474</b>	<b>167,648</b>	<b>2.3%</b>

### 2010 by Business Unit

(Arrows relative to 2009 figures)

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 ↑
<b>Total Energy</b>	<b>98,268 ↑</b>	<b>57,504 ↑</b>	<b>15,701 ↓</b>	<b>171,473 ↑</b>

### 2009 by Business Unit

(Arrows relative to 2009 figures)

Global Energy ('000 Gjs)	U.S. Pkg Ops	Int'l Pkg Ops	Global SC&F	Totals
Direct Energy	92,573	53,187	16,152	161,912
Indirect Energy	4,260	485	991	5,736
<b>Total Energy</b>	<b>96,833</b>	<b>53,672</b>	<b>17,143</b>	<b>167,648</b>

### 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 ↓	5.111 ↓	1.690 ↓	3.345 ↓
Indirect Energy	0.138 ↓	0.054 ↑	0.121 ↓	0.116 ↓
<b>Total Energy</b>	<b>3.304 ↓</b>	<b>5.165 ↓</b>	<b>1.811 ↓</b>	<b>3.461 ↓</b>

### 2009 Energy Intensity

(Arrows relative to 2009 figures)

Global Energy ('000 Gjs / \$M Revenue)	U.S. Pkg Ops	Int'l Pkg Ops	Global SC&F	Totals
Revenue in millions	\$28,158	\$9,699	\$7,440	\$45,297
Direct Energy	3.288	5.484	2.171	3.574
Indirect Energy	0.151	0.050	0.133	0.127
<b>Total Energy</b>	<b>3.439</b>	<b>5.534</b>	<b>2.304</b>	<b>3.701</b>

### Energy by Source

Global Energy ('000 Mwh and '000 Gjs)	2010 MWhs	2010 Gjs	Percent to Total Emissions 2010	2009 Gjs
<b>Direct Energy</b>				
Jet-A	27,255	98,117	57.1%	92,141
Diesel	15,226	54,814	31.9%	56,281
Gasoline	2,058	7,410	4.3%	7,695
CNG	62	224	0.1%	229
Propane/LPG	174	625	0.4%	548
LNG	2.5	8.9	0.01%	5
Natural Gas	1,145	4,124	2.4%	4,813
Heating Oil	52	185	0.1%	66
Propane	61	220	0.1%	135
Facility Solar Power Used	0.1	0.4	0.3%	-
<b>Total</b>	<b>46,036</b>	<b>165,729</b>	<b>96.7%</b>	<b>161,912</b>
<b>Indirect Energy</b>				
Electricity	1,596	5,745	3.3%	5,736
<b>Grand Total</b>	<b>47,752</b>	<b>171,474</b>	<b>100.0%</b>	<b>167,648</b>

## Energy Saved Due to Conservation and Efficiency Improvements

### Energy Efficiency Improvements and Initiatives

	Absolute Energy avoided in 2010 (gigajoules)	2010 Energy Intensity	2009 Energy Intensity	
U.S. Domestic Package: Absolute Energy Avoided	316,003*	29.23	29.33	
Primary contributing factors / initiatives:				<ol style="list-style-type: none"> <li>1) Scope is U.S. Domestic Package Operations</li> <li>2) Energy Intensity factor expressed in gigajoules per 1,000 Packages.</li> <li>3) Includes all direct and indirect energy usage for this specific business segment</li> <li>4) Avoided Absolute Energy = (2009 Energy Intensity x 2010 # of packages) - (2010 Energy Intensity x 2010 # of packages)</li> </ol>
<ul style="list-style-type: none"> <li>• Routing technology for ground fleet vehicles (page 47)</li> <li>• Telematics (page 48)</li> <li>• Alternative fuel/technology vehicles (page 49)</li> <li>• Air fleet efficiencies (page 52)</li> <li>• Facility lighting upgrades (page 54)</li> <li>• Back-Office energy conservation (page 54)</li> <li>• Other miles reduction initiatives</li> <li>• Improvement in trailer utilization (# of packages per trailer)</li> </ul>				
International Package: Absolute Energy Avoided	3,469,861*	99.34	105.33	
Primary contributing factors / initiatives:				<ol style="list-style-type: none"> <li>1) Scope is international Package Operations</li> <li>2) Energy Intensity factor expressed in gigajoules per 1,000 Packages.</li> <li>3) Includes all direct and indirect energy usage for this specific business segment</li> <li>4) Avoided Absolute Energy = (2009 Energy Intensity x 2010 # of packages) - (2010 Energy Intensity x 2010 # of packages)</li> </ol>
<ul style="list-style-type: none"> <li>• Alternative fuel/technology vehicles (page 49)</li> <li>• Air fleet efficiencies (page 52)</li> <li>• Back-Office energy conservation (page 54)</li> <li>• Telematics (page 48)</li> <li>• Routing technology for ground fleet vehicles</li> </ul>				
Global Supply Chain & Freight: Absolute Energy Avoided	1,826,177*	1.50	1.68	
Primary contributing factors / initiatives:				<ol style="list-style-type: none"> <li>1) Scope is Global Supply Chain &amp; Freight Operations</li> <li>2) Energy Intensity factor expressed in gigajoules per 1,000 lbs of freight hauled.</li> <li>3) Includes all direct and indirect energy usage for this specific business segment</li> <li>4) Avoided Absolute Energy = (2009 Energy Intensity x 2010 lbs of freight) - (2010 Energy Intensity x 2010 lbs of freight)</li> </ol>
<ul style="list-style-type: none"> <li>• Increased use of railroad</li> <li>• Telematics (page 48)</li> <li>• Integration of Freight and U.S. Domestic Package networks</li> </ul>				
<b>Total</b>	<b>5,612,041* gigajoules</b>			

\* Absolute energy avoided in 2010 were estimated from the energy intensity factor improvements from 2009 to 2010

### Initiatives to Reduce Indirect Energy Consumption

Initiatives to reduce indirect energy consumption	Number of commuters registered	Vehicle Miles Avoided	CO <sub>2</sub> Emissions Reduced (metric tonnes)	Absolute Energy Reduced (gigajoules)
UPS Corporate Office Employee Commuting Program	888	2,138,092	1,182	19,262

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

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### UPS Environmental Policy Statement.

*We Strive To Protect The Environment For Our People And The Communities In Which We Operate.* We conduct our business and operations with consideration for their environmental impact. Our responsibility for the environment ranges from the construction, maintenance, and operation of our facilities, to the maintenance and operation of our vehicles and aircraft, to the conservation of resources.

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

### Environmental Guidance Statements.

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

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

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

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

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

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

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

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

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

- Transportation network optimization to minimize the miles driven/ flown
- Investments in fuel-saving technologies to reduce our dependency on fossilbased 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.



# Appendix G

## GRI Index

The entire Report was prepared at the B+ level and independently assured by Deloitte and Touche LLP to achieve the level B+. GRI checked the Report and confirmed its adherence to the guidelines for B+ level reporting.

### LEGEND:

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

G3 Indicator	Description	2010 Response	
<b>STRATEGY &amp; ANALYSIS</b>			
1.1	Statement from the most senior decision-maker of the organization about the relevance of sustainability to the organization and its's strategy.	Letter from the Chairman, p. 13	●
1.2	Description of key impacts, risks and opportunities.	Letter from the Chairman, p. 13; Profile, p. 28; Environment, p. 60-63	●
<b>ORGANIZATIONAL PROFILE</b>			
2.1	Name of Organization	Cover	●
2.2	Primary brands, products, and/or services.	Profile, p. 25; 2010 Annual Report on Form 10-K, p. 4-5; <a href="http://www.investors.ups.com">www.investors.ups.com</a>	●
2.3	Operational structure of the organization, including main divisions, operating companies, subsidiaries, and joint ventures.	Profile, p. 25; 2010 Annual Report on Form 10-K, p.1-4; <a href="http://www.investors.ups.com">www.investors.ups.com</a>	●
2.4	Location of organization's headquarters.	Profile, p. 25; 2010 Annual Report on Form 10-K, cover and p. 16; <a href="http://www.investors.ups.com">www.investors.ups.com</a>	●
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. 25; 2010 Annual Report on Form 10-K, p. 1-4; <a href="http://www.investors.ups.com">www.investors.ups.com</a>	●
2.6	Nature of ownership and legal form.	2010 Annual Report on Form 10-K, p. 20; <a href="http://www.investors.ups.com">www.investors.ups.com</a>	●
2.7	Markets served (including geographic breakdown, sectors served, and types of customers/beneficiaries).	2010 Annual Report on Form 10-K, p. 1-4, 98-100; <a href="http://www.investors.ups.com">www.investors.ups.com</a>	●
2.8	Scale of the reporting organization, including number of operations.	Profile, p. 25; 2010 Annual Report on Form 10-K, p. 1-5; <a href="http://www.investors.ups.com">www.investors.ups.com</a>	●
2.9	Significant changes during the reporting period regarding size, structure, or ownership.	Profile, p. 25; 2010 Annual Report on Form 10-K, p. 7, 55-57; <a href="http://www.investors.ups.com">www.investors.ups.com</a>	●
2.10	Awards received in the reporting period.	Highlights and Recognition, p. 11; <a href="http://pressroom.ups.com/About+UPS/Awards">http://pressroom.ups.com/About+UPS/Awards</a>	●
<b>REPORT PARAMETERS</b>			
3.1	Reporting period (e.g., fiscal/calendar year) for information provided.	Profile, p. 22, 29	●
3.2	Date of most recent previous report (if any).	2009	●
3.3	Reporting cycle (annual, biennial, etc.)	Annual	●
3.4	Contact point for questions regarding the report or its contents.	Profile, p. 22	●
3.5	Process for defining report content.	Profile, p. 26, 28-29; Management approach, p. 33, 35, 37	●
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. 29; Scope and Boundary, p. 83-90	●
3.7	State any specific limitations on the scope or boundary of the report (see completeness principle for explanation of scope).	Profile, p. 29; Scope and Boundary, p. 83-90	●

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. 29; Scope and Boundary, p. 83-90	●
3.9	Data measurement techniques and the bases of calculations, including assumptions and techniques underlying estimations applied to the compilation of the Indicators and other information in the report. Explain any decisions not to apply, or to substantially diverge from, the GRI Indicator Protocols.	Profile, p. 29; Scope and Boundary, p. 83-90	●
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. 29; Scope and Boundary, p. 83-90	●
3.11	Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report.	Profile, p. 29; Scope and Boundary, p. 83-90	●
3.12	Table identifying the location of the Standard Disclosures in the report.	KPI chart, p. 81; GRI Index, p. 101	●
3.13	Policy and current practice with regard to seeking external assurance for the report.	Assurance statement, p. 23	●
<b>GOVERNANCE, COMMITMENTS, AND ENGAGEMENT</b>			
4.1	Governance structure of the organization, including committees under the highest governance body responsible for specific tasks, such as setting strategy or organizational oversight.	Governance, p. 30	●
4.2	Indicate whether the Chair of the highest governance body is also an executive officer.	Governance, p. 30	●
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. 30; Director Independence page, <a href="http://www.investors.ups.com">www.investors.ups.com</a>	●
4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body.	Governance, p. 30, Investor Relations website, <a href="http://www.investors.ups.com">www.investors.ups.com</a>	●
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. 30; Compensation Committee Charter and Director Compensation pages, <a href="http://www.investors.ups.com">www.investors.ups.com</a>	●
4.6	Processes in place for the highest governance body to ensure conflicts of interest are avoided.	Governance, p. 30	●
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. 30; p. 70; Board of Directors includes people with broad knowledge and experience in the area of sustainability; <a href="http://www.investors.ups.com">www.investors.ups.com</a>	●
4.8	Internally developed statements of mission or values, codes of conduct, and principles relevant to economic, environmental, and social performance and the status of their implementation.	Management approach, p. 26, 33, 37	●
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.	Management approach, p. 26; Governance, p. 30; Corporate Governance, <a href="http://www.investors.ups.com">www.investors.ups.com</a>	●
4.10	Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental, and social performance.	Governance, p. 30; Corporate Governance Guidelines at <a href="http://www.investors.ups.com">www.investors.ups.com</a>	●
4.11	Explanation of whether and how the precautionary approach or principle is addressed by the organization.	Corporate Governance, p. 30; <a href="http://www.investors.ups.com">www.investors.ups.com</a>	●
4.12	Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organization subscribes or endorses.	Commitments to external initiatives, p. 31; <a href="http://www.investors.ups.com">www.investors.ups.com</a>	●
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.	Commitments to external initiatives, p. 31	●

4.14	List of stakeholder groups engaged by the organization.	Stakeholder engagement, p. 31	●
4.15	Basis for identification and selection of stakeholders with whom to engage.	Stakeholder engagement, p. 31	●
4.16	Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group.	Stakeholder engagement, p. 31	●
4.17	Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns, including through its reporting.	Stakeholder engagement, p. 31	●
<b>ENVIRONMENT</b>			
DMA	Goals and performance	p. 47	
DMA	Policy	p. 38	
DMA	Organizational responsibility	p. 38	
DMA	Training and awareness	p. 38	
DMA	Monitoring and follow up	p. 38	
EN1	Materials used by weight or volume.	UPS purchased a total of 43,789 U.S. tons of packaging and paper products globally in 2010.	●
EN2	Percentage of materials used that are recycled input materials.	81 percent of the 43,789 U.S. tons of packaging material and office paper purchased are recycled materials. For a breakdown of the percentage of recycled content in all UPS packaging see link at <a href="http://ups.com/environment">ups.com/environment</a> .	●
EN3	Direct energy consumption by primary energy source.	Appendix E, p. 97-98	●
EN4	Indirect energy consumption by primary source.	Appendix E, p. 97-98	●
EN5	Energy saved due to conservation and efficiency improvements.	Appendix E, p. 97-98	●
EN6	Initiatives to provide energy-efficient or renewable energy based products and services, and reductions in energy requirements as a result of these initiatives.	Appendix E, p. 97-98	●
EN7	Initiatives to reduce indirect energy consumption and reductions achieved.	Appendix E, p. 97-98	◐
EN8	Total water withdrawal by source.	Water, p. 58; KPI chart, p. 81	●
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.	Not reported	○
EN12	Description of significant impacts of activities, products and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas.	Biodiversity, p. 60	◐
EN13	Habitats protected or restored.	Not reported	○
EN14	Strategies, current actions, and future plans for managing impacts on biodiversity.	Biodiversity, p. 60	◐
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. 40; KPI chart, p. 81; Appendix B, p. 83-85	●
EN17	Other relevant indirect greenhouse gas emissions by weight.	Environment, p. 38; Appendix B, p. 83	●
EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved.	Decarbonization synergy, p. 44; Ground network efficiency, p. 46; Telematics, p. 48-49; Air fleet efficiency, p. 50-52; Facilities and energy conservation, p. 54; Appendix D, p. 95	●
EN19	Emissions of ozone-depleting substances by weight.	Not applicable	N/A
EN20	NO <sub>x</sub> , SO <sub>x</sub> , and other significant air emissions by type and weight.	KPI chart, p. 81	◐
EN21	Total water discharge by quality and destination.	Not reported	○
EN22	Total weight of waste by type and disposal method.	Effluents and waste, p. 56-57	●
EN23	Total number and volume of significant spills.	Compliance, p. 60	●
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.	Decarbonization synergy, p. 44; Ground network efficiency, p. 46; Telematics, p. 48-49; Air fleet, p. 50-52; Carbon neutral shipping, p. 55; Effluents and Waste, p. 56-57	●
EN27	Percentage of products sold and their packaging materials that are reclaimed by category.	Not reported	○
EN28	Monetary value of significant fines and total number of non-monetary sanctions for noncompliance with environmental laws and regulations.	Compliance, p. 61	●
EN29	Significant environmental impacts of transporting products and other goods and materials used for the organization's operations, and transporting members of the workforce.	Management and organization, p. 37-44; Appendix B, p. 83	◐
EN30	Total environmental protection expenditures and investments by type.	Not reported	○
<b>HUMAN RIGHTS</b>			
DMA	Goals and performance	p. 72	
DMA	Policy	p. 72	
DMA	Organizational responsibility	p. 72	
DMA	Training and awareness	p. 72	
DMA	Monitoring and follow up	p. 72	
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.	Not reported	○
HR2	Percentage of significant suppliers, contractors, and other business partners that have undergone human rights screening, and actions taken.	Not reported.	○
HR3	Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained.	Human rights, p. 72; Business code of conduct, p. 77-78	◐
HR4	Total number of incidents of discrimination and actions taken.	Not reported	○
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.	Human rights, p. 72	●
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.	Human rights, p. 72	●
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.	Human rights, p. 72	●
HR8	Percentage of security personnel trained in the organization's policies or procedures concerning aspects of human rights that are relevant to operations.	Human rights, p. 72	●
HR9	Total number of incidents of violations involving rights of indigenous people and actions taken.	Human rights, p. 72	●
HR10	Percentage and total number of operations that have been subject to human rights reviews and/or impact assessments.	Not reported	○
HR11	Number of grievances related to human rights filed, addressed and resolved through formal grievance mechanisms.	Not reported	○
<b>LABOR PRACTICES &amp; DECENT WORK</b>			
DMA	Goals and performance	p. 67, 68, 70	
DMA	Policy	p. 67	
DMA	Organizational responsibility	p. 67	
DMA	Training and awareness	p. 67, 69, 70, 72, 74	
DMA	Monitoring and follow up	p. 72	
DMA	Key success and shortcomings	p. 67-71	



LA1	Total workforce by employment type, employment contract, and region, broken down by gender.	2010 Operations, p. 11; UPS facts, p. 25; p. 34, 69, 71	●
LA2	Total number and rate of new employee hires and employee turnover by age group, gender, and region.	p. 70; KPI chart, p. 81	●
LA3	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by significant locations of operations.	p. 69-70	●
LA4	Percentage of employees covered by collective bargaining agreements.	p. 71	●
LA5	Minimum notice period(s) regarding operational changes, including whether it is specified in collective agreements.	The collective bargaining agreement between UPS and the International Brotherhood of Teamsters requires a minimum of 45 days notice prior to any significant operational change. In addition, certain provisions in our Independent Pilots Association and International Association of Machinists and Aerospace Workers agreements have notice requirements if certain changes are made.	●
LA6	Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programs.	p. 68	●
LA7	Rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities, by region and by gender.	Training for safety on the job, p. 67; KPI chart, p. 81. In 2010, fatal accidents claimed the lives of 6 UPS employees (4 in auto accidents).	●
LA8	Education, training, counseling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases.	p. 68	●
LA9	Health and safety topics covered in formal agreements with trade unions.	All of our collective bargaining agreements contain provisions that address the Health and Safety of our employees. These agreements include but are not limited to the following topics: Health and Safety Committees, Hazardous Materials Handling, Vehicle and Personal Safety Equipment, Accidents and Reports, and others.	●
LA10	Average hours of training per year per employee by gender, and by employee category.	p. 67	●
LA11	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings.	p. 67-70	●
LA12	Percentage of employees receiving regular performance and career development reviews, by gender.	p. 69	●
LA13	Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership, and other indicators of diversity.	Governance, p. 30	●
LA14	Ratio of basic salary and remuneration of men to women to men by employee category, by significant locations of operation.	Not reported	○
LA15	Return to work and retention rates after parental leave, by gender.	Not reported	○
<b>SOCIETY</b>			
DMA	Goals and performance	p. 73-76	
DMA	Policy	p. 78	
DMA	Organizational responsibility	p. 77	
DMA	Training and awareness	p. 76-77	
DMA	Monitoring and follow up	p. 77-78	
S01	Percentage of operations with implemented local community engagement, impact assessments, and development programs.	Not reported	○
S02	Percentage and total number of business units analyzed for risks related to corruption.	Operating responsibly in society, p. 77	●
S03	Percentage of employees trained in organization's anti-corruption policies and procedures.	Operating responsibly in society, p. 77	●
S04	Actions taken in response to incidents of corruption.	Corruption, p. 78	●
S05	Public policy positions and participation in public policy development and lobbying.	Public policy, p. 78	●

S06	Total value of financial and in-kind contributions to political parties, politicians, and related institutions by country.	Public policy, p. 78	●
S07	Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices and their outcomes.	Anti-compliance behavior, p. 78	●
S08	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations.	Compliance, p. 78	●
S09	Operations with significant potential or actual negative impacts on local communities.	Not reported	○
S10	Prevention and mitigation measures implemented in operations with significant potential or actual negative impacts on local communities.	Not reported	○
<b>PRODUCT RESPONSIBILITY</b>			
DMA	Goals and performance	p. 30	
DMA	Policy	p. 30	
DMA	Organizational responsibility	p. 30, 77	
DMA	Training and awareness	p. 30, 77	
DMA	Monitoring and follow up	p. 30	
PR1	Life cycle stages in which health and safety impacts of products and services are assessed for improvement, and percentage of significant products and services categories subject to such procedures.	Not reported	○
PR2	Total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services during their lifecycle by type of outcomes.	Not reported	○
PR3	Type of product and service information required by procedures and percentage of significant products and services subject to such information requirements.	Not reported	○
PR4	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling by type of outcomes.	UPS is not aware of any allegations of non-compliance with regulations concerning product and service information and labeling in 2010 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 channels. 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.	UPS takes compliance with ethical and fair business practices seriously. 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.	●
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 concerning marketing communications including advertising, promotion and sponsorship in 2010 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.	2010 Annual Report on Form-10K, p. 43; <a href="http://www.investors.ups.com">www.investors.ups.com</a>	●
<b>ECONOMIC</b>			
DMA	Goals and performance	p. 33	
DMA	Policy	p. 33, 78	
DMA	Key successes and shortcomings	p. 34-35	
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.	Philanthropy, p. 34-35; Volunteerism and urgent humanitarian relief, p. 73-75; 2010 Annual Report on Form-10K, p. 55-57, 93; <a href="http://www.investors.ups.com">www.investors.ups.com</a>	●

EC2	Financial implications and other risks and opportunities for the organization's activities due to climate change.	Risks and opportunities, p. 28; p. 62-65; UPS 2011 Carbon Disclosure Project, <a href="http://cdproject.net">cdproject.net</a> ; 2010 Annual Report on Form 10-K, p. 6, 13-14	●
EC3	Coverage of the organization's defined benefit plan obligations.	2010 Annual Report on Form 10-K, p. 47-48, 73-82; <a href="http://www.investors.ups.com">www.investors.ups.com</a>	●
EC4	Significant financial assistance received from government.	Not reported	○
EC5	Range ratios of standard entry level wage compared to local minimum wage at significant locations of operations.	Not reported	○
EC6	Policy, practices, and proportion of spending on locally-based suppliers at significant locations of operation.	p. 35	◐
EC7	Procedures for local hiring and proportion of senior management hired from the local community at locations of significant operation.	Promotion from within, p. 69	●
EC8	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in kind or pro bono engagement.	p. 14, 74	◐
EC9	Understanding and describing significant indirect economic impacts, including the extent of impacts.	Marketplace, p. 33-36	●
<b>LOGISTICS AND TRANSPORTATION</b>			
LT1	Number of ships controlled by the reporting organization	Not applicable	N/A
LT2	Breakdown of fleet composition	Environment chart for aircraft, p. 53	◐
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.	Telematics, p. 48; Ground network efficiency, p. 46; Decarbonization strategy, p. 44	●
LT4	Description of initiatives to use renewable energy sources and to increase energy efficiency.	Facilities, solar project, p. 54; Fuel efficiency measures, p. 52; Ground & air efficiencies, p. 47	●
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.).	Telematics, p. 48	●
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).	Telematics, multi-modal transportation, p. 48; Route planning, p. 16	◐
LT7	Description of policies and programs for noise management/abatement.	Chart on airline technology, p. 53	◐
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. 67	◐
LT10	Describe approaches to provision of facilities to enable mobile workers to maintain personal communications while working.	Not applicable	N/A
LT11	Description of policies and programs regarding substance abuse (e.g., training and campaigns).	Programs for whole person health, p.68	●
LT12	Number of road fatalities of drivers or third parties per million kilometers driven.	Training for safety on the job, p. 67-68	●
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 competences 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.	Community, p. 73	●
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).	Promotion from within, p. 69	●
LT17	Describe measures in place to provide income security and employment continuity for workers employed/contracted repeatedly but not continuously.	Not reported	○