



# 2017 GRI Content Index



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## Our Reporting Strategy

We are pleased to present UPS's 16th annual Corporate Sustainability Report. Continuous improvement and leadership have been hallmarks of our reporting efforts through the years. For the 2017 reporting cycle, we have introduced a new storytelling format to better meet the needs of our stakeholders and readers. This format separates stories about new initiatives and other developments from the data requirements of the Global Reporting Initiative (GRI). The UPS 2017 Corporate Sustainability Progress Report chronicles our 2017 performance, initiatives, and engagements across the four pillars that comprise our Committed to More™ sustainability strategy. All GRI Standards disclosures for our comprehensive level of reporting are now located directly in the 2017 UPS GRI Content Index. Both documents (referenced as "this Report") can be found at [ups.com/sustainability](https://www.ups.com/sustainability) in interactive and downloadable PDF formats.

*Note: Unless noted otherwise, data for UPS subsidiaries Coyote Logistics and Marken is not reflected in this Report.*

# General Disclosures



## Organizational Profile

102-1

*Report the name of the organization.*

United Parcel Service, Inc.

102-2

*Report the primary brands, products, and services.*

United Parcel Service, Inc. ("UPS") was founded in 1907 as a private messenger and delivery service in Seattle, Washington. Today, we are the world's largest package delivery company, a leader in the U.S. less-than-truckload industry and the premier provider of global supply chain management solutions. We deliver packages each business day for 1.5 million shipping customers to 9.0 million receivers ("consignees") in over 220 countries and territories. In 2017 we delivered an average of 20.0 million pieces per day, or a total of 5.1 billion packages. Total revenue in 2017 was \$65.9 billion. No UPS brands, products, or services are banned in markets where we operate.

102-3

*Report the location of the organization's headquarters.*

Atlanta, GA USA

102-4

*Report the number of countries where the organization operates.*

We serve more than 220 countries and territories around the world, along with domestic delivery service within 54 countries.

102-5

*Report the nature of ownership and legal form.*

Publicly traded company

102-6

*Report the markets served (including geographic breakdown, sectors served, and types of customers and beneficiaries).*

UPS serves more than 220 countries and territories in the operating regions of USA, Americas, Europe, Asia-Pacific, and ISMEA (Indian Subcontinent, the Middle East, and Africa).

102-7

*Report the scale of the organization.*

<b>Total Number of Employees</b>	454,000
<b>Total Number of Operations</b>	2,500+ worldwide operating facilities
<b>Net Revenues</b>	\$65.9 billion
<b>Total Capitalization</b>	\$25.3 billion
<b>Quantity of Products or Services Provided</b>	5.1 billion packages delivered in 2017

102-8

*Breakdown of employee type.*

See Disclosure 405-1 — Diversity &amp; Equal Opportunity

102-9

*Describe the organization's supply chain.*

See Disclosure 204 — Procurement Practices

102-10

*Report any significant changes during the reporting period regarding the organization's size, structure, ownership, or its supply chain.*

In 2017, we formed and received approval for a joint venture with SF Express, China's leading small package company, which will ultimately provide millions of potential customers in China with improved access to buyers and sellers around the world. We acquired Freightex, Ltd. ("Freightex") to extend our platform-based freight transportation capabilities into both the U.K. and European markets. The acquisition of Eirpost Group Unlimited Company ("Nightline") vaulted UPS to a leading market position in Ireland. We added shipping centers and healthcare and distribution facilities in Mexico, Colombia, and India. In 2017, we also acquired STTAS Global Holdings, Inc. ("Sandler & Travis Trade Advisory Services" or "STTAS"), the world's largest dedicated global trade compliance management company. UPS continues to focus on growth, including \$5.2 billion in capital expenditures to meet increasing global demand. Within our facilities, we are expanding capacity, driving greater efficiencies, and providing additional network flexibilities. We also continue to invest in our air network capacity through aircraft acquisitions. See 2017 Annual Report - Form 10-K, Item 1, pages 1-2.

102-11

*Report whether and how the precautionary approach or principle is addressed by the organization.*

UPS has not formally adopted the precautionary principle. Adoption of the principle would apply primarily to potential harm related to use of fossil fuels and emission of greenhouse gases. We are fully aware of these risks, we are deeply engaged with the stakeholders regarding them, and we manage our business to reduce, avoid, or mitigate them.

102-12

*List externally developed economic, environmental, and social charters, principles, or other initiatives to which the organization subscribes or which it endorses.*

Examples of major external initiatives we engage in — other than those aforementioned in this Report — include the following:

- The World Resources Institute's Greenhouse Gas Protocol
- CDP's climate change program
- The President's Advisory Council on Doing Business in Africa, where UPS serves as Vice Chair
- The Business Roundtable, an association of CEOs promoting public policy in support of a thriving economy

102-13

*List memberships of associations (such as industry associations) and national or international advocacy organizations.*

- Green Freight Asia, a transportation association addressing the climate impact of shipping
- The North American Council for Freight Efficiency, an association committed to doubling the efficiency of North American goods movement
- The National Clean Fleets Partnership, as part of the U.S. Department of Energy's Clean Cities program, which works with large private fleets to reduce the use of petroleum-based fuels
- The International Air Transport Association's Air Cargo Carbon Footprint initiative
- The Conference Board, which provides corporations with information to better serve society
- Corporate Eco-Forum, which provides a forum for leaders to strategize and exchange best-practice insights
- BSR Future of Fuels, whose mission is to drive sustainable transition to low-carbon commercial road freight
- Airlines for America (A4A), which advocates and forms partnerships for airline safety, job creation, infrastructure modernization, and environmental responsibility
- World Business Council for Sustainable Development
- Low Carbon Vehicle Partnership (LCVP), a UK-based, public-private organization with the mission of accelerating the shift to low-carbon road fuels and technologies

## Strategy

102-14

*Provide a statement from the most senior decision-maker of the organization.*

See Progress Report — CEO Message, pages 2-3

102-15

*Describe key impacts, risks, and opportunities.*

See Progress Report — Economic Enhancement Overview, pages 10-11

See 2017 Annual Report — Form 10-K, Item 1A Risk Factors, pages 9-15

See Disclosure 102-46 — Topic Boundaries

See Disclosure 102-47 — Material Topics

## Ethics & Integrity

102-16

*Describe the organization's values, principles, standards, and norms of behavior such as codes of conduct and codes of ethics.*

See Disclosure 205 — Anti-Corruption

102-17

*Report the internal and external mechanisms for seeking advice on ethical and lawful behavior, and matters related to organizational integrity, such as helplines or advice lines.*

See Disclosure 205 — Anti-Corruption

## Governance

102-18

*Report the governance structure of the organization, including committees of the highest governance body.*

We publish the governance structure for UPS, including the committees of our Board of Directors, committee charters, and committee membership, on our [investor website](#). This website also includes detailed information about corporate governance at UPS, including structures, policies, and processes.

102-19

*Report the process for delegating authority for economic, environmental, and social topics from the highest governance body to senior executives and other employees.*

The Board delegates authority for day-to-day management of economic, environmental, and social topics to the Management Committee, which comprises the senior managers for all our major corporate functions. The Management Committee further delegates relevant authority for economic, environmental, and social topics — particularly including all the material aspects discussed in UPS Corporate Sustainability Report — to the appropriate organizations in the Company.

102-20

*Report whether the organization has appointed an executive-level position or positions with responsibility for economic, environmental, and social topics, and whether post holders report directly to the highest governance body.*

Our Chief Sustainability Officer regularly reports to the Board of Directors regarding sustainability strategies, priorities, goals, and performance.

102-21

*Report processes for consultation between stakeholders and the highest governance body on economic, environmental, and social topics.*

Consultation between members of the Board of Directors and outside stakeholders occurs formally and informally throughout the year. Among the formal processes are reports to the Board by our CSO as described above. Stakeholders who wish to communicate directly with a member of our Board of Directors, with our independent lead director or with our nonmanagement directors as a group, may do so by writing to UPS via our Corporate Secretary at:

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

Advertisements, solicitations for business, requests for employment, matters that may be better addressed by management, or other inappropriate materials will not be forwarded to our directors.

102-22

*Report the composition of the highest governance body and its committees.*

We publish the governance structure for UPS, including the committees of our Board of Directors, committee charters, and committee membership, on our [investor website](#).

102-23

*Report whether the Chair of the highest governance body is also an executive officer.*

David Abney, UPS Chief Executive Officer, currently serves as Chairman of the Board. The Board believes that Mr. Abney, who has primary responsibility for managing the Company's day-to-day operations and has extensive knowledge and understanding of the Company, is best positioned to focus the Board's attention on the issues of greatest importance to the Company and its shareholders.

The Board also has a Lead Independent Director and a majority of independent directors who meet regularly in executive session. Independent directors chair the Board's Audit, Compensation, Risk, and Nominating and Corporate Governance Committees. Other than our Chief Executive Officer, all UPS directors are independent and have no material relationships other than as a UPS director. A complete discussion of our Board leadership structure can be found in the [2018 Annual Proxy Statement Summary](#).

102-24

*Report the nomination and selection processes for the highest governance body and its committees, and the criteria used for nominating and selecting highest governance body members.*

The Nominating and Corporate Governance Committee of the Board nominates directors based on their independence, as well as their experience and expertise in a variety of areas, including economic, environmental, and social topics. In evaluating each candidate, the Committee considers factors such as personal character, values and disciplines, ethical standards, diversity, professional background, and skills. Shareholders may nominate director candidates in accordance with our bylaws. Director nominations are presented to our shareholders as part of our Annual Meeting process, which, because of the nature of UPS shareholding, means stakeholders with a broad range of views and interests are able to influence whether nominees become directors.

102-25

*Report processes for the highest governance body to ensure conflicts of interest are avoided and managed.*

Our investor website, specifically our [Code of Business Conduct](#), includes processes and policies for avoiding or managing conflicts of interest.



102-26

*Report the highest governance body's and senior executives' roles in the development, approval, and updating of the organization's purpose, value, or mission statements, strategies, policies, and goals related to economic, environmental, and social impacts.*

We have two governance bodies dedicated to sustainability at UPS, a Sustainability Leadership Council and a Sustainability Steering Committee, both of which support the Management Committee and Board of Directors. The Sustainability Leadership Council has primary strategy-setting responsibility for sustainability at UPS. It comprises representatives from most major corporate functions, as well as representatives from each of our international regions and UPS Airlines. This Council, chaired by the Chief Sustainability Officer, brings critical issues and decisions to our Sustainability Steering Committee, which includes members of the UPS Management Committee and other senior executives. The chairperson of the Sustainability Steering Committee is the Chief Information and Engineering Officer, who is also a member of the Management Committee.

102-27

*Report the measures taken to develop and enhance the highest governance body's collective knowledge of economic, environmental, and social topics.*

Our Board of Directors continually develops and enhances its knowledge of economic, environmental, and social impacts through activities such as:

- Reviewing economic, environmental, and social impacts regularly at Board meetings and Board committee meetings.
- Receiving regular reports from our Chief Sustainability Officer (CSO) and other governance bodies regarding sustainability strategies, priorities, goals, and performance.
- Overseeing efforts by UPS management to develop, approve, and update our vision, values, strategies, policies, and goals related to economic, environmental, and social impacts.
- Reviewing the contents of the UPS Corporate Sustainability Report each year, and the Board's Audit Committee oversees our process of securing third-party assurance and verification for the Report's contents.
- Overseeing strategic risk management efforts at UPS, including identifying and managing risks and opportunities associated with economic, environmental, and social impacts.

102-28

*Report the processes for evaluation of the highest governance body's performance with respect to governance of economic, environmental, and social topics.*

The Board's Nominating and Corporate Governance Committee coordinates an annual self-evaluation of the Board of Directors and each committee, with the exception of the Executive Committee. The evaluation includes a review of performance with respect to governance of economic, environmental, and social topics. The Board and each committee review the results of the evaluations and take appropriate actions to address any areas of concern. While this is an internal self-assessment, all members of each committee are independent directors.

102-29

*Report the highest governance body's role in the identification and management of economic, environmental, and social impacts, risks, and opportunities.*

See Disclosure 102-26 — Governance Body's Roles

102-30

*Report the highest governance body's role in reviewing the effectiveness of the organization's risk management processes for economic, environmental, and social topics.*

See 2018 UPS Proxy, page 14, Risk Oversight

102-31

*Report the frequency of the highest governance body's review of economic, environmental, and social impacts, risks, and opportunities.*

See Disclosures 102-26 — Governance Body's Roles and 102-27 — Governance Body's Knowledge

102-32

*Report the highest committee or position that formally reviews and approves the organization's sustainability report.*

UPS's annual Sustainability Report is provided to the UPS Board of Directors for review and comment.

102-33

*Report the process for communicating critical concerns to the highest governance body.*

Should a critical concern arise regarding sustainability, the Board of Directors would receive a report via the Management Committee, which communicates with all major corporate functions and is responsible for addressing and resolving such concerns.

102-34

*Report the nature and total number of critical concerns that were communicated to the highest governance body and the mechanism(s) used to address and resolve them.*

Should a critical concern arise regarding sustainability, the Board of Directors would receive a report via the Management Committee, which communicates with all major corporate functions and is responsible for addressing and resolving such concerns. In 2017, no such critical concerns arose.

102-35

*Report the remuneration policies for the highest governance body and senior executives.*

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. These policies are spelled out in our 2018 Proxy Statement. The Compensation Committee annually engages an independent compensation consultant to make recommendations concerning executive compensation, including input on trends that may be important to investors. Additionally, the Committee keeps itself well-informed regarding compensation practices and policies within our industry and among companies of similar size in other industries.

102-36

*Report the process for determining remuneration.*

UPS offers competitive hourly wages, salaries, and total compensation plans to both full-time and part-time employees. The primary process for setting compensation levels for our nonmanagement employees is contract negotiations via collective bargaining. Unions represent more than 75 percent of all UPS workers in the United States. Many of our workers in other countries are also represented by collective bargaining organizations. Through collective bargaining, unions have historically ensured broad equality in remuneration for union workers.

UPS provides for equal remuneration policies with regard to women and men and complies with all applicable laws and regulations. UPS currently does not report further on the ratio of basic salary and remuneration of women to men by employee category, or by significant locations of operation. The U.S. Department of Labor is in the process of establishing rules to require reporting of average female salary and average male salary by employee level. UPS will report this information in accordance with the final regulations.

102-37

*Report how stakeholders' views are sought and taken into account regarding remuneration.*

Our most recent "Say on Pay" vote took place in early May 2017, and shareholders approved our proposal by more than 88 percent. "Say on Pay" allows shareowners to vote, on an advisory basis, on whether they approve the compensation of the executive officers disclosed in our [proxy statement](#). Our next "Say on Pay" vote will occur in May 2020.

102-38

*Report the ratio of the annual total compensation for the organization's highest-paid individual in each country of significant operations to the median annual total compensation for all employees.*

See 2017 UPS Proxy, pages 50-51, Median Employee to CEO Pay Ratio.

102-39

*Report the ratio of percentage increase in annual total compensation for the organization's highest-paid individual in each country of significant operations to the median percentage increase in annual total compensation for all employees (excluding the highest-paid individual) in the same country.*

Due to confidentiality constraints, UPS does not report ratios based on individual compensation or make pay decisions based on these ratios. We consider this data confidential.

## Stakeholder Engagement

102-40

### *List of stakeholder groups.*

- Customers
- Active and Retired Employees
- Policymakers
- Government Officials
- Investors
- Communities
- NGOs
- Suppliers

102-41

### *Report the percentage of total employees covered by collective bargaining agreements.*

More than 75 percent of our employees in the U.S. are covered by collective bargaining agreements, including almost everyone who handles or transports packages.

102-42

### *Report the basis for identification and selection of stakeholders with whom to engage.*

We consider stakeholder engagement an essential aspect of UPS corporate governance. We are one of the world's largest private employers; we serve millions of customers in more than 220 countries and territories; and hundreds of thousands of investors include UPS stock shares in their portfolios either directly or via mutual funds. Regular dialogue with employees, customers, investors, community leaders, universities, public officials, suppliers, and third-party providers through formal and informal channels is essential to conducting our business, as well as developing and implementing our sustainability strategies.

102-43

### *Report the organization's approach to stakeholder engagement.*

We maintain ongoing dialogue with a broad array of stakeholders — even those who may be critical of us.

We stay in regular contact with stakeholders on emerging sustainability issues and trends, and periodically receive inquiries and requests for engagement from stakeholder groups. We are also open to initiating new stakeholder engagement activities to help inform our strategy. For example, a cross-functional group of internal stakeholders who have responsibility for our material issues helped to develop a framework to focus current engagements and identify new opportunities.

102-44

### *Report key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns.*

The table on the following two pages summarizes the highlights of our stakeholder engagement on sustainability issues during 2017. More in-depth discussions on many of these topics may be found throughout this Report.

## Summary of 2017 Stakeholder Dialogue & Outcomes

STAKEHOLDER GROUP	MECHANISMS FOR ENGAGEMENT	STAKEHOLDER EXPECTATIONS	ACTIONS TAKEN
<b>Customers</b>	<ul style="list-style-type: none"> <li>• Customer Satisfaction Survey</li> <li>• Quarterly Business Reviews and regular meetings</li> <li>• Market research</li> <li>• UPS.com</li> <li>• Social media</li> <li>• UPS-sponsored events</li> <li>• UPS drivers</li> </ul>	<ul style="list-style-type: none"> <li>• Reliable service and on-time delivery</li> <li>• Consumer convenience</li> <li>• Innovative supply chain solutions</li> <li>• Streamlined returns</li> </ul>	<ul style="list-style-type: none"> <li>• Enhanced service by introducing UPS® Ground on Saturday, giving customers an additional day to send and receive ground packages</li> <li>• Launched Packaging Innovation Center with Sealed Air to showcase and explore packaging innovation</li> <li>• Continued to expand UPS My Choice® membership and the UPS Access Point™ network services to offer customers and consumers more flexibility and control</li> <li>• Improved returns process through an alliance with Optoro, simplifying the e-commerce returns process and reducing waste sent to landfill</li> <li>• Began or continued development of more than 70 package and hub projects to improve the flexibility and strength of our network</li> <li>• Began to take delivery of new, fuel-efficient Boeing 747-8 air freighters to address increasing demand and volume growth</li> </ul>
<b>Active and Retired Employees</b>	<ul style="list-style-type: none"> <li>• Sustainability Ambassador Program</li> <li>• Business Resource Groups</li> <li>• Daily Prework Communications Meetings</li> <li>• Health &amp; Safety Committees</li> <li>• Annual Employee Engagement Survey</li> <li>• UPSers.com and UPSers Connect</li> <li>• Social media</li> <li>• Union representatives</li> <li>• Joint labor-management committees</li> <li>• Town Hall meetings</li> </ul>	<ul style="list-style-type: none"> <li>• Competitive pay and benefits</li> <li>• Clear communication</li> <li>• Work/life balance</li> <li>• Career and growth opportunities</li> <li>• Support of a diverse workforce</li> <li>• Effective off-boarding</li> </ul>	<ul style="list-style-type: none"> <li>• Created the Advanced Technology Group to explore and lead innovation opportunities across the enterprise</li> <li>• Launched UPSGo mobile app to streamline employee communication and access to company news, announcements, and other information</li> <li>• CEO David Abney signed the CEO Action for Diversity &amp; Inclusion pledge to support creation of a safe and supportive workplace</li> <li>• Added new training components to our signature UPS Integrad™ program, including virtual reality and strategic simulations</li> <li>• Developed new tools to gather employee feedback at the local level in addition to our enhanced Employee Engagement Survey</li> <li>• Initiated new recruiting programs to improve the hiring process and overall retention</li> <li>• Hosted our third TED@UPS event to celebrate diverse UPSer perspectives</li> <li>• Celebrated Global Privacy Awareness week to educate employees on privacy best practices</li> <li>• Held a global sustainability month to engage employees in UPS's sustainability efforts</li> </ul>

Summary of 2017 Stakeholder Dialogue & Outcomes (continued)

STAKEHOLDER GROUP	MECHANISMS FOR ENGAGEMENT	STAKEHOLDER EXPECTATIONS	ACTIONS TAKEN
<b>Policy makers, Government Officials</b>	<ul style="list-style-type: none"> <li>• Global advocacy and relationship building</li> <li>• Multifaceted thought leadership strategy</li> <li>• Facility visits and targeted outreach</li> <li>• Collaborative partnerships</li> </ul>	<ul style="list-style-type: none"> <li>• Facilitating cross-border commerce</li> <li>• Innovative solutions to congestion, noise, and air pollution</li> <li>• Support for infrastructure investment and maintenance</li> <li>• Support for a level playing field with logistics operators and postal entities</li> </ul>	<ul style="list-style-type: none"> <li>• Continued advocacy for cross-border trade and the development of emerging markets</li> <li>• Collaborated with city officials to continue developing sustainable urban delivery solutions in the U.S. and in Europe</li> <li>• Promoted inclusivity through trade with programs such as the UPS Women Exporters Program and GREAT Women in ASEAN</li> </ul>
<b>Investors</b>	<ul style="list-style-type: none"> <li>• Investor Conference earnings communications</li> <li>• Shareholder meeting</li> <li>• Annual report</li> <li>• Proxy statement</li> <li>• Ratings and rankings</li> </ul>	<ul style="list-style-type: none"> <li>• Return on investment</li> <li>• Continued investment in innovation</li> <li>• Transparent reporting with credible data</li> </ul>	<ul style="list-style-type: none"> <li>• Added more than 1,100 vehicles to our “rolling laboratory” of alternative fuel and advanced technology vehicles (approximately 9,100)</li> <li>• Listed on Dow Jones Sustainability World Index for the fifth consecutive year and recognized at the Leadership level of the CDP Climate Change performance review</li> </ul>
<b>Communities</b>	<ul style="list-style-type: none"> <li>• The UPS Foundation</li> <li>• Employee Volunteer Program</li> <li>• Community relations committees</li> <li>• Humanitarian relief events</li> </ul>	<ul style="list-style-type: none"> <li>• Leveraging UPS expertise and resources to support humanitarian aid efforts</li> <li>• Employee volunteerism and local support</li> <li>• Road safety programs</li> </ul>	<ul style="list-style-type: none"> <li>• Delivered 546 in-kind support shipments to 61 countries in response to 26 disasters around the world</li> <li>• Contributed more than 2.9 million volunteer hours</li> <li>• Planted more than 2.7 million trees around the world</li> </ul>
<b>NGOs</b>	<ul style="list-style-type: none"> <li>• Regular dialogue</li> <li>• Topic-specific conferences and events</li> </ul>	<ul style="list-style-type: none"> <li>• Private-sector expertise and resources</li> <li>• Collaboration on innovative solutions</li> <li>• Transparent reporting with credible data</li> </ul>	<ul style="list-style-type: none"> <li>• Collaborated with American Red Cross and CyPhy Works to test use of drones in assessing damage in the wake of natural disasters</li> <li>• Continued to explore possibilities with Gavi, the Vaccine Alliance and drone maker Zipline for delivery of medical supplies for hard-to-reach areas of Rwanda</li> <li>• Worked with UNICEF and Empire State Relief &amp; Recovery Effort to deliver humanitarian relief to Puerto Rico in the wake of Hurricane Maria</li> <li>• Continued collaborations with BSR's Future of Fuels program and WBCSD's Low Carbon Freight and Zero Emissions Cities initiatives</li> </ul>
<b>Suppliers</b>	<ul style="list-style-type: none"> <li>• Top Supplier meetings</li> <li>• Supplier Diversity Program</li> <li>• Research and development of alternative vehicle technologies</li> </ul>	<ul style="list-style-type: none"> <li>• Leadership in testing and scaling alternative fuels and vehicle technologies</li> <li>• Capacity-building support for local and diverse suppliers</li> </ul>	<ul style="list-style-type: none"> <li>• Invested \$1.2 billion in local and diverse supplier support programs</li> <li>• Continued development of alternative fuel vehicles and technology through collaborations with vendors</li> <li>• Supported Outside Service Providers in Western Europe to implement sustainable fleet initiatives</li> </ul>

## Reporting Practices

102-45

*List all entities included in the organization's consolidated financial statements or equivalent documents.*

See 2017 Annual Report — Form 10-K, Reporting Segments and Products & Services, pages 2-5. This Sustainability Report includes data from UPS subsidiary Coyote Logistics in our financial data, greenhouse gas inventories, and water data. UPS subsidiaries Coyote Logistics and Marken are included in our lost time injury rate and auto accident rate within our health and safety data.

102-46

*Explain the process for defining the report content and the Topic Boundaries.*

Materiality is a critical input of our corporate sustainability strategy because it ensures that our initiatives and reporting are aligned with what is most important to our stakeholders with respect to their association with UPS. To determine this, we have worked with BSR (formerly Business for Social Responsibility) to conduct materiality assessments every two years since 2011.

Our most recent assessment began in 2015 at the regional level, where we interviewed representatives from stakeholder groups in areas of the world where we have significant and growing operations: Asia-Pacific; Canada; Europe; and the Indian Subcontinent, Middle East and Africa. An additional assessment was completed during 2016 in Mexico. To learn more about these regional insights visit [https://sustainability.ups.com/media/UPS\\_Corporate\\_Materiality\\_2016.pdf](https://sustainability.ups.com/media/UPS_Corporate_Materiality_2016.pdf).

In 2016, we built upon our regional assessments by evaluating approximately 30 international sustainability frameworks, standards, ratings, and ranking assessments; interviewing members of UPS's Management Committee; reviewing stakeholder engagements around the world; and gathering feedback from regulators, NGOs, academics, and investors.

Ultimately, we examined more than 50 issues, including areas of significant organizational impact, as well as broader sustainability trends that affect UPS. BSR ranked each issue's relative importance based on an assessment of the aggregate feedback from stakeholders and UPS executives and supported us in making final adjustments to the ranking before we presented it to members of our Sustainability Leadership Council. This Council then submitted the results of the materiality process for approval to our Sustainability Steering Committee, which includes members of the Management Committee and other senior leaders of UPS.

## UPS Materiality Content

MATERIAL ISSUE FOR UPS	UN SUSTAINABLE DEVELOPMENT GOALS ALIGNMENT*	CORRESPONDING GRI STANDARDS MATERIAL TOPIC
<b>Workforce Diversity</b>	5, 8	Diversity and Equal Opportunity, Equal Remuneration for Women and Men
<b>Employee Health, Safety &amp; Wellness</b>	3, 8	Employment, Occupational Health and Safety
<b>Safe Driving</b>	3, 8	Occupational Health and Safety
<b>Recruitment &amp; Development</b>	4, 5, 8	Training and Education
<b>Labor Relations</b>	3, 4, 5, 8, 10, 16	Labor/Management Relations, Freedom of Association and Collective Bargaining
<b>Ethical Conduct</b>	12, 16	Anti-Corruption, Anti-Competitive Behavior, Socioeconomic Compliance
<b>Package Contents Responsibility</b>	12	This issue arose during the materiality process but does not map directly to a GRI Standards material topic.
<b>Economic Performance**</b>	1, 2, 3, 5, 7, 8, 9, 10, 11, 12, 13, 17	Economic Performance, Market Presence, Indirect Economic Impact, Procurement Practices
<b>Management of Third-Party Representatives</b>	8, 16	Supplier Environmental Assessment, Supplier Assessment for Labor Practices, Supplier Human Rights Assessment, Freedom of Association and Collective Bargaining, Anti-Corruption
<b>Data Privacy</b>	16	Customer Privacy
<b>Digital &amp; Physical Asset Security</b>	16	Customer Privacy
<b>Humanitarian Relief &amp; Resilience</b>	1, 2, 3, 5, 7, 8, 9, 10, 11, 17	Indirect Economic Impact
<b>Greenhouse Gas Policy</b>	3, 12, 13, 14, 15	Energy, Emissions
<b>Emissions &amp; Fuel Supply</b>	3, 7, 8, 9, 11, 12, 13, 14, 15	Energy, Emissions
<b>Congestion</b>	11	This issue arose during the materiality process but does not map directly to a GRI Standards material topic.
<b>Transparency &amp; Reporting</b>	12, 16	This issue arose during the materiality process but does not map directly to a GRI Standards material topic.
		<b>DESCRIPTION</b>
<b>Global Trade</b>	1, 8, 9	This trend arose during the materiality process. We provide additional information in the Report to explain its significance to UPS.
<b>Emerging Markets</b>	1, 8, 9, 10	This trend arose during the materiality process. We provide additional information in the Report to explain its significance to UPS.

\* Please visit [sustainabledevelopment.un.org/sdgs](https://sustainabledevelopment.un.org/sdgs) to identify corresponding goals.

\*\* Our Materiality Matrix implicitly recognizes that our economic performance is a material influence on our business success, so it does not appear in the matrix as a separate issue or aspect. We fully discuss our economic performance, in line with GRI Standards guidelines.



102-48

*Report the effect of any restatements of information provided in previous reports, and the reasons for such restatements.*

We have made no material restatements of information provided in previous Reports.

102-49

*Report significant changes from previous reporting periods in the list of Material Topics and Topic Boundaries.*

There have been no significant changes to material topics. Reference 102-45 for Topic Boundaries.

102-50

*Reporting period for information provided.*

The report presents data for the 2017 calendar year.

102-51

*Date of most recent report.*

Our previous report presented data for the 2016 calendar year.

102-52

*Reporting cycle.*

We issue our Corporate Sustainability Report on an annual basis.

102-53

*Provide a contact point for questions regarding the report or its contents.*

Please send comments or questions about this Report to [sustainability@ups.com](mailto:sustainability@ups.com), or in writing to:

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

102-54

*Report the 'in accordance' option the organization has chosen.*

This Report has been prepared in accordance with the GRI Standards, Comprehensive option. UPS has voluntarily followed GRI reporting guidelines since 2003.

102-55

*Report the GRI content index, which specifies each of the GRI Standards used and lists all disclosures included in the report.*

This document is organized by GRI Indicators and serves as our GRI Content Index.

102-56

*Describe the organization's policy and current practice with regard to seeking external assurance for the report.*

We engage with experienced and respected third parties to assure and verify our sustainability reporting. Authorization for these engagements, and approval of the providers we select, comes from the Audit Committee of our Board of Directors, which is our highest governance body.

For this Report, we engaged Deloitte & Touche LLP to conduct a review, in accordance with attestation standards established by the American Institute of Certified Public Accountants, to provide a limited level of assurance on our 2017 Corporate Sustainability Report.

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 reasonable level of assurance on our Statement of Greenhouse Gas Emissions for the year ended December 31, 2017.

# Independent Accountants' Examination Report

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## INDEPENDENT ACCOUNTANT'S EXAMINATION REPORT

**Board of Directors**  
**United Parcel Service, Inc.**  
**Atlanta, Georgia**

We have examined the accompanying Statement of Greenhouse Gas Emissions ("Statement of GHG Emissions") of United Parcel Service, Inc. (the "Company") for the year ended December 31, 2017 for Scope 1, Scope 2, and Scope 3 greenhouse gas (GHG) emissions. The Company's management is responsible for preparing and presenting the Statement of GHG Emissions in accordance with the Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard, and the Greenhouse Gas Protocol: A Corporate Value Chain (Scope 3) Accounting and Reporting Standard, published by the World Business Council for Sustainable Development and the World Resources Institute (together the "Greenhouse Gas Protocol"). Our responsibility is to express an opinion on the Statement of GHG Emissions based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants (AICPA) in AT-C section 105, Concepts Common to All Attestation Engagements, and AT-C Section 205, Examination Engagements. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the Statement of GHG Emissions is in accordance with (or based on) the criteria, in all material respects. An examination involves performing procedures to obtain evidence about the Statement of GHG Emissions. The nature, timing and extent of the procedures selected depend on our judgment, including an assessment of the risks of material misstatement of the Statement of GHG Emissions, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

In performing our examination, we have complied with the independence and other ethical requirements of the Code of Professional Conduct issued by the AICPA.

We have applied the Statements on Quality Control Standards established by the AICPA and, accordingly, maintain a comprehensive system of quality control.

As described in Note 1, environmental and energy use data are subject to measurement uncertainties resulting from limitations inherent in the nature and the methods used for determining such data. The selection by management of different, but acceptable measurement methods, input data or model assumptions, or a different point value within the range of reasonable values produced by the model, could have resulted in materially different amounts or metrics being reported.

In our opinion, the Statement of GHG Emissions of the Company for the year ended December 31, 2017 for Scope 1, Scope 2, and Scope 3 GHG emissions is presented in accordance with the Greenhouse Gas Protocol, in all material respects.

June 5, 2018

# Independent Accountants' Review Report

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## INDEPENDENT ACCOUNTANTS' REVIEW REPORT

**Board of Directors**  
**United Parcel Service, Inc.**  
**Atlanta, Georgia**

We have reviewed the accompanying 2017 Corporate Sustainability Report of United Parcel Service, Inc. (the "Company") for the year ended December 31, 2017. The Company's management is responsible for preparing and presenting the Corporate Sustainability Report in accordance with the Global Reporting Initiative Sustainability Reporting Standards under its Comprehensive option. Our responsibility is to express a conclusion on the Corporate Sustainability Report based on our review.

Our review was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants (AICPA) in AT-C section 105, Concepts Common to All Attestation Engagements, and AT-C Section 210, Review Engagements. Those standards require that we plan and perform the review to obtain limited assurance about whether any material modifications should be made to the Corporate Sustainability Report in order for it to be presented in accordance with the criteria. A review is substantially less in scope than an examination, the objective of which is to obtain reasonable assurance about whether the Corporate Sustainability Report is presented in accordance with the criteria, in all material respects, in order to express an opinion. Accordingly, we do not express such an opinion. We believe that our review provides a reasonable basis for our conclusion.

In performing our review, we have complied with the independence and other ethical requirements of the Code of Professional Conduct issued by the AICPA. We applied the Statements on Quality Control Standards established by the AICPA and, accordingly, maintain a comprehensive system of quality control.

The preparation of the Corporate Sustainability Report requires management to interpret the criteria, make determinations as to the relevancy of information to be included, and make estimates and assumptions that affect reported information. Measurement of certain amounts and metrics, some of which may be referred to as estimates, is subject to substantial inherent measurement uncertainty. Obtaining sufficient, appropriate review evidence to support our conclusion does not reduce the inherent uncertainty in the amounts and metrics. The selection by management of different but acceptable measurement methods, input data, or model assumptions, or a different point value within the range of reasonable values produced by the model, may have resulted in materially different amounts or metrics being reported.

Based on our review, we are not aware of any material modifications that should be made to the accompanying 2017 Corporate Sustainability Report of the Company for the year ended December 31, 2017, in order for it to be presented in accordance with the Global Reporting Initiative Sustainability Reporting Standards under its Comprehensive option.

June 5, 2018

# Topic-Specific Standards



## 201 Economic Performance

103-1, 2, 3

### *Management Approach*

See also UPS 2017 Sustainability Progress Report, Economic Enhancement Overview

We report on the structure of our organization, changes in structure and financial performance primarily through our [Annual Report](#) and at [www.investors.ups.com](http://www.investors.ups.com). In our Corporate Sustainability Report, we focus on economic performance as it relates to sustainability. Our economic success ensures our long-term viability and enables us to execute our sustainability strategies. For this reason, we consider economic performance our most material aspect and a reference point by which we define all other material issues.

UPS contributes to sustainability by making logistics as resource-efficient as possible, and our scale allows us to reduce the emissions intensity of global supply chains. This capability will grow and become even more important as emerging markets develop, global population increases, and the flow of goods and services expands. In addition, we believe our ability to operate even more effectively will increase because of our proven capabilities for measuring, managing, and mitigating greenhouse gas emissions, support of the emergence of new technology innovations, and ongoing collaboration with stakeholders.

## TAX POLICY

UPS's fundamental tax policy is to ensure the tax results for our global entities are properly reported in accordance with applicable laws, rules, and regulations. We operate our business where our customers are located. While tax management is important to the Company, how and where we conduct business activities aligns with our goal of providing superior customer service and shareholder value. We consider UPS's reputation, brand, and corporate responsibility when we evaluate our tax positions. Accordingly, we enter only into structures or transactions designed to further our commercial purpose. We believe in transparency and work to develop positive relationships with tax authorities based on trust and professional interactions. Where appropriate, we proactively seek agreement with tax authorities on positions taken on our tax returns.

201-1

*Direct economic value generated and distributed.*

### UPS Financial Highlights

(In US\$)	2017	2016
<b>Revenue</b>	\$65.9 billion	\$60.9 billion
<b>Operating Costs</b>	\$58.3 billion	\$55.4 billion
<b>Employee Compensation &amp; Benefits</b>	\$34.6 billion	\$34.8 billion
<b>Taxes Paid*</b>	\$2.8 billion**	\$3.6 billion
<b>Long-Term Debt Repaid</b>	\$3.9 billion	\$3.8 billion
<b>Dividends Paid to Shareholders</b>	\$2.9 billion	\$2.8 billion
<b>Payments to Small &amp; Diverse Suppliers</b>	\$1.2 billion	\$989.0 million
<b>Total Charitable Contributions</b>	\$118.3 million	\$116.6 million
<b>Retained Earnings</b>	\$5.9 billion	\$4.9 billion

\*Due to U.S. tax reform, some values contain provisional estimates at time of publication.

\*\*Increased additional payments funding our employee benefit plans, which were tax deductible for income tax purposes, resulted in continued lower tax liability in 2017 compared to 2016.

201-2

*Financial implications and other risks and opportunities due to climate change.*

See 2017 UPS Sustainability Progress Report — Economic Enhancement Overview

See 2017 Annual Report — Form 10-K, Item 1A Risk Factors, pages 9-15

201-3

*Defined benefit plan obligations and other retirement plans.*

We provide detailed disclosures and discussions about our pension and postretirement plan obligations in our Annual Report, primarily in Notes 4 and 5 to the Consolidated Financial Statements beginning on page 78 of the UPS 2017 Annual Report Form 10-K.

201-4

*Financial assistance received from government.*

UPS does not receive significant financial assistance from the government. We do participate in public-private partnerships that may involve tax incentives, such as the Interstate Clean Transportation Corridor (ICTC) in the United States, or certain incentives related to our purchase of alternative fuel vehicles.

## 202 Market Presence

103-1, 2, 3

*Management Approach*

See Disclosure 201 — Economic Performance Management Approach

202-1

*Ratios of standard entry-level wage by gender compared to local minimum wage.*

The ratio of our standard entry-level hourly wage to local minimum wage varies from location to location around the world. This variation is necessary to comply with local conditions and with national wage minimums in countries that set them. In the United States, which represents 82.3 percent of our employee base, we comply with local minimum-wage laws in each state and pay no less than the local minimum wage or the federal minimum wage. We do not vary entry-level compensation by gender. We do not have a significant proportion of other workers (excluding employees) performing the organization's activities that are compensated based on minimum-wage rules.

202-2

*Proportion of senior management hired from the local community.*

We hire nearly all senior managers within their home country. More than 99 percent of full-time management employees worked in their home country in 2017. Because UPS serves more than 220 countries and territories around the world, it is extremely difficult to define "local" and "significant" operations.

## 203 Indirect Economic Impacts

103-1, 2, 3

### *Management Approach*

See Disclosure 201 — Economic Performance Management Approach

Much of our indirect economic impact is provided through the global Humanitarian Relief & Resilience program by The UPS Foundation (our corporate philanthropy arm). This effort is organized around building more effective public-private partnerships to catalyze innovation and enhance community disaster risk reduction and preparedness efforts, supporting urgent response and speeding post-crisis recovery.

Every year, natural disasters and global crises create devastating human suffering that demands coordinated, swift relief efforts. Humanitarian crises can disrupt businesses, destroy infrastructure, and bring most forms of productive commerce to a halt. It's important to us that our employees and customers live in strong and safe communities that are well prepared for and equipped to recover from disasters in a timely manner to minimize long-term social and economic impact.

As a global leader in logistics, we are ready to leverage our extensive global assets and logistics expertise to speed relief and recovery to those in need when a natural or man-made disaster strikes. At the core of our preparedness, response, and recovery efforts are the strong relationships we have developed with the world's leading humanitarian relief organizations. In addition, we often have people on the ground who are ready to help. UPSers around the world are empowered to volunteer and provide relief assistance to their local communities during sudden-onset disasters.

The breadth and depth of talent among UPS employees provides a valuable platform to help speed disaster response and recovery. UPSers work side-by-side with our strategic partners and play an integral role in our humanitarian relief program. The UPS Humanitarian Experts on Mission Program places UPS logistics professionals on long-term assignment to our partner organizations. We also participate in formal programs such as the Logistics Emergency Teams (LET), which provide proficiency and response services to the Global Logistics Cluster of the United Nations led by the World Food Programme. LET companies, which are large global logistics and transportation businesses, provide pro bono assets and services and deploy highly trained experts to join the United Nations staff in disaster areas.

The key performance indicator for indirect economic benefit is the sum of our charitable contributions by UPS; The UPS Foundation; and UPS employees, retirees, and their families.

203-1

### *Infrastructure investments and services supported.*

Our business generates a wide range of indirect economic benefits, including charitable contributions, access to markets through our local points of presence in the form of retail outlets, procurement activity throughout our supply chain, and venture capital funding. We provide more than 150,000 entry points where customers can tender a package and access our network, including our drivers, drop boxes, UPS Access Point™ locations, The UPS Store® locations, authorized shipping outlets, and UPS facilities. These local entry points help small and diverse businesses participate more fully in the global economy. UPS's support of and advocacy for free trade around the world benefits businesses, communities, and countries of all sizes. Similarly, continual investments in our global logistics network — rather than infrastructure and specific services — benefit all of our communities by facilitating commerce and providing jobs.

We also use our scale to stimulate the markets for alternative fuels and advanced fleet technologies. Our continued investments help drive supply and demand for these promising sustainable solutions.



Solely funded by UPS, The UPS Foundation provides cash and in-kind contributions to organizations that promote its four focus areas: Diversity and Inclusion, Global Volunteerism, Community Safety, and Environmental Sustainability. In-kind donations are primarily transportation services, including ground, ocean, and air shipments. For example, we donated flights to and from 61 countries for humanitarian relief and resilience efforts in 2017. Charitable contributions also include a 15 percent match of employee pledges to United Way, a major nonprofit provider of community-based social services.

In 2017, total charitable contributions were US\$118.3 million, an increase of US\$1.7 million over 2016. In addition, UPSers contributed 2.9 million volunteer hours in 2017, which had an economic value of US\$81.4 million, based on the U.S. Bureau of Labor Statistics' valuation of volunteer time.

## Total Charitable Contributions

PROGRAM AREA (Year Ending December 31, 2017)	ALLOCATION (US\$ In Millions)
Local Grants	9.8
Corporate Grants	25.0
In-Kind Services	5.8
Internal Scholarship Programs	2.3
United Way Corporate Contribution	8.5
Charitable Contributions and Sponsorships	9.5
<b>The UPS Foundation Contribution Total</b>	<b>60.9</b>
United Way Employee Contribution (active and retired)	57.4
<b>Total Charitable Contributions</b>	<b>118.3</b>

## 204 Procurement Practices

103-1, 2, 3

### *Management Approach*

UPS has a highly distributed and diverse supply chain, with providers ranging from global multinationals to local small businesses. As a service provider, the UPS supply chain is primarily dependent on goods and services that are highly regulated or commodity based, such as transportation, brokerage, and energy. Therefore, UPS considers our supply chain to be resilient and at low risk against problems related to the environment, labor practices, and human rights.

At the same time, we are entering into more contractual relationships with third parties, such as agents, providers, outside service providers, and authorized service contractors, who may interact with government officials or outside parties on behalf of UPS. It is vital that all third-party representatives convey UPS's integrity and commitment to compliance when they represent our brand, products, and services in the marketplace. We consider effective management of such representatives as material to the sustainability of our business.

Since UPS is a service provider, our supply chain partners tend to be other service providers, rather than raw material or finished goods suppliers. Support of locally based and diverse suppliers has also been a core part of UPS procurement processes since 1992. Supply chain partners can be broadly grouped into three categories:

- **Production Suppliers** represent the majority of total procurement spending. They provide purchased transportation services and energy to operate our global logistics network. At the region and country levels, we contract with suppliers of transportation services, such as airlines, trucking companies, railroads, and ocean carriers, as well as fuel suppliers. We also contract with third-party representatives that provide domestic delivery services in certain countries and territories.
- **Capacity Suppliers** provide the equipment and facilities we purchase, build, and maintain. Our supply chain includes a number of suppliers of strategic, high-value assets that we purchase in limited numbers in select years, such as jet aircraft and alternative fuel or advanced technology vehicles. We work on a continual basis with original equipment manufacturers to design and develop our ground and air fleets in a way that minimizes their environmental impacts.
- **Support Suppliers** provide standardized products and services that support our business, such as marketing, advertising, human resources, shipping materials, and other professional services.

During our assessment of potential suppliers, we survey the market and analyze supplier risks, including those related to economic, environmental, and social issues, if deemed necessary. We require suppliers with access to sensitive UPS data to execute a security agreement to ensure compliance with UPS privacy and security standards. Procurement professionals are located in our corporate, regional, and local offices to help suppliers understand and meet our requirements.

The UPS Code of Business Conduct, which applies to UPS entities globally, governs our relationships with third-party representatives. We direct them to the Code as part of the Supplier's Principles Agreement provided during the proposal process, and they must certify they have read the Code and are aware that compliance with the Code is both expected and subject to audit. To ensure the requirements of the UPS Code of Business Conduct are clear, we produce an Anti-Corruption Compliance Manual for Third-Party Representatives. This manual, available in 20 languages, further explains our expectations and requirements, including the need to report actual or suspected compliance violations.

Collaboration and engagement are other vital components of supplier management. We work with many governmental and nongovernmental organizations, as well as with suppliers, to develop and integrate sustainability best practices in our supply chain.

UPS uses a risk-based due diligence process to assess potential suppliers' ownership, financial transparency, local licensure status, compliance record, labor practices, environmental practices, and more. This information is recorded in a proprietary global database to enable more effective ongoing monitoring and auditing of these third-party relationships.

204-1

### *Proportion of spending on local suppliers.*

Omission – Information unavailable. We are developing a methodology to define and track spending with local suppliers, and plan to have an update in our 2018 Sustainability Report.

UPS seeks to extend opportunities to small businesses, as well as minority-, women-, veteran-owned companies, among other diverse suppliers. Since 2015, we have conducted an annual third-party study to measure the economic impact of these investments. In 2017, the study found that UPS contributed more than US\$2.9 billion to the U.S. economy (U.S. GDP) and sustained more than 18,100 jobs in the supply chain and local communities. A breakdown of that US\$2.9 billion includes US\$1.1 billion in direct economic benefit from suppliers' operations and activities; US\$780.3 million in indirect impact from the economic benefit and employment supported in the suppliers' respective supply chains from procuring goods and services; and US\$952.7 million in community impact from the wider economic benefits that arise when the suppliers' employees and those in their supply chains spend their earnings.

## 205 Anti-Corruption

103-1, 2, 3

### *Management Approach*

UPS is a company of honesty, quality, and integrity. This legacy is fundamental to our ability to earn customer trust, support the communities in which we operate, and protect our reputation. Ethical business practices enable us to take proven compliance practices and core values with us when we enter new markets; identify suppliers that align with our approach to compliance; and successfully identify, acquire, and integrate businesses that fit into our culture of integrity.

The UPS Code of Business Conduct sets out the behavior we expect from our employees, the processes available to them for raising concerns about ethical conduct, and the channels we use to respond. The Code is available in 22 languages so that our employees, agents, and third-party representatives in other countries and territories can fully understand our guiding principles.

Our policy is to comply with all applicable laws, rules, and regulations in the more than 220 countries and territories where we operate. The Code includes policies and procedures that prohibit UPS employees, and others acting on our behalf, from engaging in anti-competitive behavior or any unlawful activities, including violations of the U.S. Foreign Corrupt Practices Act, the U.K. Bribery Act, and other applicable anti-bribery laws, rules, and regulations.

We ensure understanding of these regulations with refresher courses and job-specific courses on compliance and ethics to employees, using a risk-based approach to identify the most appropriate audiences. Anti-corruption training is required for management, including management committee members.

We encourage employees to raise concerns about compliance, ethics, or business conduct with their direct supervisors or human resources representatives. Employees may also submit a report to the UPS Help Line online or by phone. Both of these channels are monitored by an independent service provider and are available 24 hours a day, 7 days a week, and reports may be anonymous. Translators are available to assist when needed. Our policy is that employees will not face retaliation if they report any violation or suspected violation in good faith. In 2017, UPS received more than 10,000 reports of employee concerns through the UPS Help Line and other reporting avenues. We investigated these cases and took corrective or disciplinary action where appropriate.

A focus area for UPS is package contents responsibility, or the policies and protocols related to UPS shippers who tender regulated goods into our system. UPS requires that shippers only tender packages for shipment that comply with all applicable laws and regulations, and prohibits shipments that are unlawful under applicable federal, state, or local law. UPS may also, at its discretion, determine that carriage of a particular commodity is not feasible.

We follow a multilayered process to ensure that compliance is continuously improving within our U.S. Domestic Package, International Package, and Supply Chain & Freight business entities. Our global compliance team facilitates this process for employees around the world.

UPS managers and select nonmanagers receive training on compliance matters. We regularly review the UPS Code of Business Conduct with these employees, and we periodically conduct comprehensive training on ethics and compliance.

We analyze our business units for compliance risks. One of our primary tools is our Business Compliance and Ethics Questionnaire, which we use to survey our management team each year to identify events, situations, or relationships that could pose ethical or legal risks. 47,480 employees completed the 2017 questionnaire.

Beyond training, we conduct systematic risk assessments of UPS sites, auditing methodically for evidence of fraud, corruption, and other process risks. As part of our audit process, we also pay particular attention to significant changes in a UPS business entity or its regulatory environment that could increase the risk of unethical practices or inadequate controls.

The information we generate through these activities goes to our senior management, up to and including the Management Committee, for prompt review and response.

205-1

### *Operations assessed for risks related to corruption.*

This information is unavailable. UPS conducts a number of corruption-related audits but does not report on the percentage or significant risks due to confidentiality.

205-2

### *Communication and training about anti-corruption policies and procedures.*

As part of our Director Orientation Program, new Board members are provided with the UPS Code of Business Conduct, which includes a section on our Anti-Corruption Program and sets forth standards applicable to all representatives of UPS.

Of more than 51,000 eligible employees, which includes all full-time managers, supervisors, and specialists, all employees of International Finance and Accounting, and all nonmanagement employees who may interact with non-U.S. government employees, 98 percent completed anti-corruption training as of the end of 2017. UPS also vets third-party providers worldwide and monitors their compliance with our ethical standards.

Our Nominating and Corporate Governance Committee of the Board of Directors maintains organizational responsibility for our business conduct and compliance policies, and our Chief Financial Officer holds administrative responsibility. In addition, the UPS Audit Committee of the Board of Directors oversees the Company's compliance obligations related to auditing (both financial and operational), accounting, and financial reporting. The Chief Internal Audit and Compliance & Ethics Executive reports to this Audit Committee. The Board of Directors' Risk Committee provides oversight for management's identification and evaluation of enterprise risks, including the Company's risk management framework and the policies, procedures, and practices employed to manage risks.

205-3

### *Confirmed incidents of corruption and actions taken.*

We are not aware of any material incidents of corruption in 2017.

## **206 Anti-Competitive Behavior**

103-1, 2, 3

### *Management Approach*

See Disclosure 205 — Anti-Corruption Management Approach

206-1

### *Legal actions for anti-competitive behavior, anti-trust, and monopoly practices.*

All material litigation and enforcement matters related to competition law are timely disclosed to the SEC and publicly available in our [SEC filings](#).

## 302 Energy

103-1, 2, 3

### *Management Approach*

We help the world grow more prosperous by providing transportation and logistics solutions that facilitate global trade. This role requires the use of substantial amounts of energy, primarily in the form of fuel and electricity for our vehicles, planes, distribution facilities, warehouses, and data centers. In addition to the energy used in our own network operations, we also rely on other third-party transportation providers who use fuel and energy on our behalf to transport goods via all modes of transportation, including air, ocean, road, and rail.

We take a comprehensive, global approach to reducing energy use and GHG emissions within our network, as well as major portions of our value chain, including customers and suppliers. We believe everyone shares responsibility to improve energy efficiency and to reduce GHG emissions in the atmosphere. UPS supports global efforts to mitigate the impact of climate change. Our full statement on climate change can be found on our [website](#).

Our optimized global logistics network, combined with our global GHG strategy, helps improve our efficiency and reduce our environmental impacts. This strategy includes:

- Setting an ambitious goal to reduce absolute GHG emissions 12 percent by 2025 throughout our global ground operations, with supporting goals for fuel, energy, and alternative vehicles;
- Utilizing operational improvements through technology to create overall network and delivery efficiencies beyond reducing miles/fuel, (e.g., higher trailer utilization, decreased sortation time, increased safety, reduced errors/duplication of work, higher asset utilization/less waste, etc.) that reduce GHG footprint.
- Expanding our fleet of alternative fuel and advanced technology vehicles, known as our rolling laboratory, in order to reduce the proportion of conventional fuels we use;
- Reducing conventional energy use and increasing the use of renewable energy in our facilities and alternative fuel in our fleet;
- Providing customers with services that help them reduce their environmental impact; and
- Helping increase supplier awareness about GHG emissions and how to reduce them.

We also contribute actively to public discussions about environmental sustainability. This includes collaborating with leading NGOs, regulators, and industry consortiums to propel the cause of environmental sustainability forward. We also participate in public policy forums, where we advocate for prudent innovation and investment in new technologies and infrastructure development.

UPS measures the effectiveness of its energy and greenhouse gas emission strategy by tracking progress against a set of goals that are detailed on page 5 of our 2017 UPS Sustainability Progress Report.

## Energy Consumption Within the Organization

GLOBAL ENERGY ('000 GJs)	2017	2016	% CHANGE 17/16	BASE YEAR (2015)
Direct Energy	180,656	178,904	1.0%	173,665
Indirect Energy	6,036	5,913	2.1%	5,861
<b>Total Energy</b>	<b>186,692</b>	<b>184,817</b>	<b>1.0%</b>	<b>179,526</b>

## Energy Consumption Within the Organization by Source

GLOBAL ENERGY ('000 GJs)	2017	% TO TOTAL ENERGY	2016	BASE YEAR (2015)
<b>Direct Energy</b>				
<b>Airline Fuel</b>	<b>111,315</b>	<b>59.6%</b>	<b>109,154</b>	<b>104,279</b>
<b>Ground Vehicle Fuel</b>	<b>65,006</b>	<b>34.9%</b>	<b>65,552</b>	<b>64,804</b>
Diesel	39,998	21.4%	42,165	46,240
Gasoline	13,945	7.5%	13,299	12,096
CNG	4,662	2.5%	3,410	751
Propane/LPG	1,181	0.7%	1,194	1,101
LNG	2,042	1.1%	2,725	3,109
Renewable Fuel (Biomass)	3,178	1.7%	2,759	1,507
<b>Facility Fuel (Heat)</b>	<b>4,335</b>	<b>2.3%</b>	<b>4,198</b>	<b>4,582</b>
Natural Gas	4,120	2.2%	3,994	4,365
Heating Oil	62	0.0%	53	72
Propane	153	0.1%	151	145
<b>Direct Energy Subtotal</b>	<b>180,656</b>	<b>96.8%</b>	<b>178,904</b>	<b>173,665</b>
<b>Indirect Energy</b>				
Electricity	6,028	3.2%	5,904	5,850
Renewable Electricity	8	0.0%	9	11
<b>Indirect Energy Subtotal</b>	<b>6,036</b>	<b>3.2%</b>	<b>5,913</b>	<b>5,861</b>
<b>Total Energy</b>	<b>186,692</b>	<b>100%</b>	<b>184,817</b>	<b>179,526</b>

## Energy Consumption Within the Organization by Business Unit

	U.S. DOMESTIC PACKAGE			INTERNATIONAL PACKAGE			GLOBAL SUPPLY CHAIN & FREIGHT			TOTALS		
	2017	2016	Base Year (2015)	2017	2016	Base Year (2015)	2017	2016	Base Year (2015)	2017	2016	Base Year (2015)
Global Energy ('000 GJs)												
Direct Energy	109,852	108,452	102,865	60,672	60,214	58,757	10,132	10,238	12,043	180,656	178,904	173,665
Indirect Energy	4,500	4,359	4,231	592	506	549	944	1,048	1,081	6,036	5,913	5,861
<b>Total Energy</b>	<b>114,352</b>	<b>112,811</b>	<b>107,096</b>	<b>61,264</b>	<b>60,720</b>	<b>59,306</b>	<b>11,076</b>	<b>11,286</b>	<b>13,124</b>	<b>186,692</b>	<b>184,817</b>	<b>179,526</b>

## Energy Consumption Outside the Organization

GLOBAL ENERGY ('000 GJs)	2017	2016	% CHANGE 17/16	BASE YEAR (2015) <sup>(1)</sup>
<b>Upstream</b>				
Purchased Goods and Services	Not Reported	Not Reported		Not Reported
Capital Goods	Not Reported	Not Reported		Not Reported
Fuel & Energy-Related (not incl. Scope 1&2)	Not Reported	Not Reported		Not Reported
Transportation & Distribution	111,001	104,813	5.9%	104,276
Waste Generated in Operations	Not Relevant	Not Relevant		Not Relevant
Business Travel	1,264	1,310	-3.5%	1,107 <sup>(1)</sup>
Employee Commuting	28,214	26,927	4.8%	26,570 <sup>(1)</sup>
Leased Assets	Not Relevant	Not Relevant		Not Relevant
<b>Downstream</b>				
Transportation & Distribution	Not Relevant	Not Relevant		Not Relevant
Processing of Sold Products	Not Relevant	Not Relevant		Not Relevant
Use of Sold Products	Not Relevant	Not Relevant		Not Relevant
End-of-life Treatment of Sold Products	Not Relevant	Not Relevant		Not Relevant
Leased Assets	Not Relevant	Not Relevant		Not Relevant
Franchises	390	359	8.6%	356
Investments	Not Relevant	Not Relevant		Not Relevant
<b>Total Energy Consumption Outside the Organization</b>	<b>140,869</b>	<b>133,409</b>	<b>5.6%</b>	<b>132,309</b>

(1) We previously reported in the FY16 published CSR that for the year ended December 31, 2015 we were responsible for energy consumption outside of the organization of 1,144 GJs for business travel and 26,558 GJs for employee commuting. This information was misstated and has been adjusted to accurately present the energy consumption outside the organization across business travel and employee commuting for the year ended December 31, 2015.

## Energy Intensity Within the Organization by Business Unit

	U.S. DOMESTIC PACKAGE			INTERNATIONAL PACKAGE			GLOBAL SUPPLY CHAIN & FREIGHT			TOTALS		
	2017	2016	Base Year (2015)	2017	2016	Base Year (2015)	2017	2016	Base Year (2015)	2017	2016	Base Year (2015)
Global Energy ('000 GJs/\$M Revenue)												
Revenue in Millions	\$40,764	\$38,301	\$36,747	\$13,338	\$12,350	\$12,149	\$11,770	\$10,255	\$9,467	\$65,872	\$60,906	\$58,363
Direct Energy	2.695	2.832	2.799	4.549	4.876	4.837	0.861	0.998	1.272	2.743	2.937	2.976
Indirect Energy	0.110	0.114	0.115	0.044	0.041	0.045	0.080	0.102	0.114	0.092	0.097	0.100
<b>Total Energy</b>	<b>2.805</b>	<b>2.946</b>	<b>2.914</b>	<b>4.593</b>	<b>4.917</b>	<b>4.882</b>	<b>0.941</b>	<b>1.100</b>	<b>1.386</b>	<b>2.835</b>	<b>3.034</b>	<b>3.076</b>



## Reduction of Energy Consumption

ENERGY SAVED DUE TO CONSERVATION AND EFFICIENCY IMPROVEMENTS	ABSOLUTE ENERGY AVOIDED 2017 VS 2015 (gigajoules)	2017 ENERGY INTENSITY	2015 ENERGY INTENSITY	COMMENTS
<b>U.S. Domestic Package: Absolute Energy Avoided</b>				
<b>Contributing factors/initiatives:</b> Implementation of telematics, improved vehicle routing, conducting proactive maintenance on our vehicles, shifting travel to low-emission vehicles.	1,828,000 <sup>(1)</sup>	26.61	27.03	<ul style="list-style-type: none"> <li>Energy Intensity factor expressed in gigajoules per 1,000 Packages</li> <li>Scope is U.S. Domestic Package Operations</li> <li>Includes all direct and indirect energy usage for this specific business segment</li> <li>Avoided Absolute Energy = (2015 Energy Intensity x 2017 # of packages) – (2017 Energy Intensity x 2017 # of packages)</li> </ul>
<b>International Package: Absolute Energy Avoided</b>				
<b>Contributing factors/initiatives:</b> Miscellaneous initiatives in our airline, including lower flight speeds, computer-optimized flight plans, single-engine taxi.	6,374,000 <sup>(1)</sup>	77.58	85.65	<ul style="list-style-type: none"> <li>Energy Intensity factor expressed in gigajoules per 1,000 Packages</li> <li>Scope is international Package Operations</li> <li>Includes all direct and indirect energy usage for this specific business segment</li> <li>Avoided Absolute Energy = (2015 Energy Intensity x 2017 # of packages) – (2017 Energy Intensity x 2017 # of packages)</li> </ul>
<b>Global Supply Chain &amp; Freight: Absolute Energy Avoided</b>				
<b>Contributing factors/initiatives:</b> Implementation of telematics, improved dispatching of drivers, consolidation of shipments, loading efficiency in ways that keep miles driven to a minimum.	2,017,000 <sup>(1)</sup>	1.03	1.21	<ul style="list-style-type: none"> <li>Energy Intensity factor expressed in gigajoules per 1,000 lbs of freight hauled</li> <li>Scope is Global Supply Chain &amp; Freight Operations</li> <li>Includes all direct and indirect energy usage for this specific business segment</li> <li>Avoided Absolute Energy = (2015 Energy Intensity x 2017 lbs of freight) – (2017 Energy Intensity x 2017 lbs of freight)</li> </ul>
<b>Total</b>	<b>10,219,000 gigajoules</b>			

(1) Absolute energy avoided in 2017 was estimated from the energy intensity factor improvements from 2015 (baseline year) to 2017.

302-5

*Reductions in energy requirements of products and services.*

See Disclosure 302-4 — Reduction of Energy Consumption

**303 Water**

103-1, 2, 3

*Management Approach*

**NOTE:** Water is not a material issue for UPS, but we provide some perspective in this report for those stakeholders who have an interest in this issue.

Over the next few decades, UPS, like many companies around the world, will see water scarcity and water stress issues that affect a significant number of locations where we have operations. While our own water needs are modest relative to other industries, water scarcity and water stress can be harmful to local communities. To address this concern, UPS has a global water stewardship strategy based on three pillars:

**Transparency** — Disclosing comprehensively measured water data for our domestic and international operations.

**Conservation** — Applying best practices for water conservation throughout the Company, focusing on the top 20 percent of facilities with the highest water use. These facilities represent 80 percent of our total water usage and cost.

**Engagement** — Collaborating with world leaders on water and reporting, by sharing our knowledge and helping them disseminate ideas and guidance.

303-1

*Water withdrawal by source.***Total Water Consumption — Absolute (millions m<sup>3</sup>)**

	2017	2016	2015	2014	% CHANGE 17/16
U.S. Domestic Package	3.92	3.74	3.84	3.66	4.8%
International Package	0.64	0.72	0.72	0.70	-11.1%
Global Supply Chain & Freight*	0.86	0.82	0.74	0.76	4.9%
<b>Total Water Consumption</b>	<b>5.42</b>	<b>5.28</b>	<b>5.30</b>	<b>5.12</b>	<b>2.7%</b>

\* 2016 was the first year reporting water usage for Coyote Logistics.

## 305 Emissions

103-1, 2, 3

### Management Approach

See Disclosure 302 — Energy Management Approach

103-1, 2, 3

### Management Approach

## Statement of Greenhouse Gas (GHG) Emissions

for the years ended December 31, 2017 and 2016

### GHG Performance

GLOBAL CO <sub>2</sub> E EMISSIONS ('000 tonnes)	2017	2016	% CHANGE 16/17	BASE YEAR (2015)
Scope 1	13,047	12,432	4.9%	12,197
Scope 2 (market-based)	745	831	(10.3)%	814
<b>Gross Scope 1 &amp; 2</b>	<b>13,792</b>	<b>13,263</b>	<b>4.0%</b>	<b>13,011</b>
Scope 3	20,071	17,430	15.2%	16,877
<b>Gross Scope 1, 2 &amp; 3</b>	<b>33,863</b>	<b>30,693</b>	<b>10.3%</b>	<b>29,888</b>
Voluntary carbon offsets for Scope 1 carbon neutral service (retired)	(77.9)	(95.7)		(44.9)
Voluntary carbon offsets for Scope 2 carbon neutral service (retired)	(6.3)	(6.0)		(3.2)
Voluntary carbon offsets for Scope 3 carbon neutral service (retired)	(10.4)	(9.0)		(4.8)
<b>Net Global CO<sub>2</sub>e Emissions</b>	<b>33,768</b>	<b>30,582</b>	<b>10.4%</b>	<b>29,835</b>
BIOMASS CO <sub>2</sub> EMISSIONS ('000 tonnes, not included in above totals)	2017	2016	% CHANGE 16/17	BASE YEAR (2015)
Mobile Combustion — Biomass CO <sub>2</sub> (e.g. ethanol, bio-diesel)	292	216	35.2%	108
Stationary Combustion — Biomass CO <sub>2</sub>	0	0	0%	0
<b>Total Biomass CO<sub>2</sub> (reported separately as per GHG Protocol)</b>	<b>292</b>	<b>216</b>	<b>35.2%</b>	<b>108</b>
SCOPE 2 CO <sub>2</sub> e EMISSIONS ('000 tonnes) <sup>(1)</sup>	2017	2016	% CHANGE 16/17	BASE YEAR (2015)
Scope 2 (market-based method)	745	831	(10.3)%	814
Scope 2 (location-based method)	745	831	(10.3)%	814

(1) Location-based and market-based Scope 2 emissions are being reported as per the new GHG Protocol Scope 2 Guidance.

## **GHG Reporting Policies**

The statement of greenhouse gas (GHG) emissions was prepared based on a calendar reporting year that is the same as the United Parcel Service, Inc. (UPS or the Company) financial reporting period. Organizational responsibility for our GHG Emissions reporting rests with our Chief Sustainability Officer.

Scope 1 and 2 GHG emissions information was prepared in accordance with the World Resources Institute/World Business Council for Sustainable Development Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard, Revised Edition.

Scope 3 GHG emissions information was prepared in accordance with the World Resources Institute/World Business Council for Sustainable Development Greenhouse Gas Protocol: Corporate Value Chain (Scope 3), Accounting and Reporting Standard.

Scope 3 emissions include all relevant Scope 3 categories, nine of the 15 categories as defined by the GHG Protocol.

Collectively, the Corporate Accounting and Reporting Standard, Revised Edition and the Corporate Value Chain (Scope 3), Accounting and Reporting Standard are referred to as the "GHG Protocol" in this document.

The following includes information on GHG emissions by business unit and emission source, as well as intensity disclosures.

### **BASE YEAR GHG EMISSIONS**

The GHG base year is set out below and has been prepared in accordance with the GHG Protocol.

The base year GHG emissions for Scope 1, 2, and 3 is 2015.

## GREENHOUSE GASES

All GHG emissions figures are reported in metric tonnes of carbon dioxide equivalents (CO<sub>2</sub>e) and include four of the seven greenhouse gases covered by the GHG Protocol — carbon dioxide (CO<sub>2</sub>), methane (CH<sub>4</sub>), nitrous oxide (N<sub>2</sub>O), and hydrofluorocarbons (HFCs). Perfluorocarbons (PFCs), sulphur hexafluoride (SF<sub>6</sub>), and nitrogen trifluoride (NF<sub>3</sub>) emissions were omitted from our reporting as they are not a material source of greenhouse gases for the Company.

The GHG Protocol defines 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	Fifth Assessment Report (SAR) published by Intergovernmental Panel on Climate Change
Methane (CH <sub>4</sub> )	28	
Nitrous Oxide (N <sub>2</sub> O)	265	
HFC-134a	1300	

## GHG REPORTING SCOPE AND BOUNDARY

The Statement of Greenhouse Gas Emissions includes Scope 1 (direct), Scope 2 (indirect), and Scope 3 (indirect) emissions that were reported for operations within the organizational boundary described below. GHG emissions have been reported from the entities where the Company has operational control as defined by the GHG Protocol.

UPS is a global company operating in more than 220 countries and territories. Our three reportable business segments are U.S. Domestic Package, International Package, and Global Supply Chain & Freight.

1. The U.S. Domestic Package business consists of air and ground delivery of small packages — up to 150 pounds in weight — and letters to and from all 50 states.
2. The International Package reporting segment includes the small package operations in Europe, Asia, Canada, Latin America, and the Indian Subcontinent, Middle East and Africa. Europe is our largest region outside the United States — accounting for approximately half of our international revenue.
3. The Global Supply Chain & Freight segment consists of our forwarding and logistics services, truckload freight brokerage, UPS Freight, and our financial offerings through UPS Capital. Supply chain complexity creates demand for a global service offering that incorporates transportation, distribution, and international trade and brokerage services, with complementary financial and information services.

## Operational Boundary – Detailed Description Scope 1 & 2<sup>(1)</sup>

SOURCE	SCOPE	U.S. PACKAGE OPERATIONS	INTERNATIONAL PACKAGE OPERATIONS	GLOBAL SUPPLY CHAIN & FREIGHT
Jet-A (mobile)	1	All jet fuel used for UPS-owned aircraft (U.S. flights)	All jet fuel used for UPS-owned aircraft (International flights)	N/A — All Supply Chain & Freight moved on UPS-owned aircraft is captured in package operations (U.S. and International)
Diesel & Gasoline (mobile)	1	All diesel and gasoline used in UPS-owned/leased vehicles to transport, pick up, and deliver small packages	<ul style="list-style-type: none"> <li>• Diesel and gasoline used in UPS-owned/leased vehicles to transport, pick up, and deliver small packages</li> <li>• Gasoline used for company-leased cars used by employees in Europe and Asia</li> </ul>	<ul style="list-style-type: none"> <li>• Diesel and 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, Europe, and Asia</li> </ul>
CNG (mobile)	1	All compressed natural gas used in UPS-owned vehicles to transport, pick up, and deliver small packages	All compressed natural gas used in UPS-owned vehicles to transport, pick up, and deliver small packages	All compressed natural gas used in UPS owned vehicles to transport, pickup and deliver freight or packages
Propane/LPG (mobile)	1	All propane fuel used in UPS-owned vehicles to transport, pick up, and deliver small packages	All propane fuel used in UPS-owned vehicles to transport, pick up, 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, pick up, and deliver small packages	N/A — Fuel type is not a source of emissions from this business unit	All liquefied natural gas used in UPS owned vehicles to transport, pickup and deliver freight or packages
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	Fugitive emissions from vehicle A/C systems
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

(1) No Scope 1 or 2 activities have been excluded from this Report.

## Operational Boundary – Detailed Description Scope 3

SCOPE AND CATEGORY	EMISSIONS INCLUDED/EXCLUDED (UPS SCOPE & BOUNDARY)	DESCRIPTION OF METHODOLOGY	% EMISSIONS CALCULATED USING DATA OBTAINED FROM VALUE CHAIN PARTNERS
<b>Upstream Scope 3 Emissions</b>			
1. Purchased Goods & Services	The upstream extraction, production, and transportation of goods and services purchased by all UPS operations, not otherwise included in Categories 2-8  Exclusions: None	Economic input-output life cycle assessment (EIO-LCA) model	0%
2. Capital Goods	The upstream extraction, production, and transportation of capital expenditures purchased by all UPS operations. Includes buildings, aircraft, vehicles, and information technology  Exclusions: None	Economic input-output life cycle assessment (EIO-LCA) model	0%
3. Fuel- and Energy-Related Activities Not Included in Scope 1 or 2	Includes the upstream (well-to-pump) emissions from raw material extraction up to the point of (but excluding) combustion for the following global fuel sources: Jet-A, Diesel, Gasoline, CNG, LPG, LNG, natural gas, heating oil, and propane  Includes the upstream emissions for the transmission and distribution losses of purchased electricity  Exclusions: None	The same primary data that is used to calculate the Scope 1 and 2 emissions for all energy usage is used to calculate the upstream emissions; the actual quantity of energy consumed is multiplied by the appropriate life cycle emission factor.	100%
4. Transportation & Distribution (Upstream)	The emissions from purchased transportation (air, ground, rail, and ocean) for the pickup, transportation, and delivery of packages/ freight for our global operations includes emissions associated with:  <u>U.S. Package Operations</u> <ul style="list-style-type: none"> <li>• Packages moved by third parties via aircraft, rail, and tractor-trailers</li> <li>• Last-mile delivery of packages by the U.S. Postal Service</li> </ul> <u>International Package Operations</u> <ul style="list-style-type: none"> <li>• Packages moved by third parties via aircraft and tractor-trailers</li> <li>• Last-mile delivery of packages by the use of Agents and Outside Service Providers (OSPs)</li> <li>• Packages transported across the U.K. Channel by third parties via railroad or ferry</li> <li>• Packages transported by rail in Canada</li> </ul> <u>Global Supply Chain &amp; Freight</u> <ul style="list-style-type: none"> <li>• UPS Supply Chain Solutions™ Services: transportation, pickup, and delivery for freight/packages by other third parties via aircraft, rail, tractor-trailers, and ocean</li> <li>• UPS Freight™ Operations: transportation, pickup, and delivery for freight in the U.S. and Canada via various modes of transport, which include tractor-trailers, railroads, and ocean transport of freight, typically to Hawaii, Puerto Rico, Guam, and Alaska</li> </ul> Exclusions: Does not include Scope 2 emissions from third-party transportation companies. Does not include any optional life cycle assessment (LCA) emissions. Source has been excluded due to lack of means to measure emission source.	The primary method used to calculate the upstream emissions from purchased transportation is to multiply the actual weight and distance traveled for each shipment by the appropriate emission factor from the GHG Protocol.	35%

SCOPE AND CATEGORY	EMISSIONS INCLUDED/EXCLUDED (UPS SCOPE & BOUNDARY)	DESCRIPTION OF METHODOLOGY	% EMISSIONS CALCULATED USING DATA OBTAINED FROM VALUE CHAIN PARTNERS
<b>Upstream Scope 3 Emissions</b>			
5. Waste Generated in Operations	<p>Includes the emissions that occur for landfilled, incinerated, recovery, and recycled wastes streams in the U.S.</p> <p>Exclusions: Emissions associated with wastes generated in operations outside of the U.S. Does not include any optional LCA emissions. Source has been excluded due to lack of means to measure emission source.</p>	Methodology used is actual waste disposed by waste stream multiplied by the appropriate LCA Emission factor.	100%
6. Business Travel	<p>Includes the emissions that occur from air and rail travel, rental cars, and the use of personnel vehicles for business-related activities for our global operations.</p> <p>Exclusions: Does not include any optional life cycle emissions from hotel stays. Source has been excluded due to lack of means to measure emission source.</p>	Travel agent provides a detailed breakdown of GHG emissions based upon actual travel activity	100%
7. Employee Commuting	<p>Includes the emissions that occur for the transportation of our employees between their homes and their workplace for our global operations.</p> <p>Exclusions: Does not include any optional emissions from employee teleworking. Source has been excluded due to lack of means to measure emission source.</p>	Actual number of employees multiplied by average gallons used per employee (UPS calculated this factor) multiplied by the emission factor for gasoline (8.81 kg CO <sub>2</sub> per gallon). The UPS factor for estimated gallons per employee was created by combining a host of information from the U.S. Census data, Department of Transportation, the Federal Highway Administration, and other sources.	0%
8. Upstream Leased Assets	<i>Not Relevant</i> — We do not report on this category since the category as described by the WRI Guidelines is not applicable to our business because upstream leased assets are included in our Scope 1 and 2 emissions.	Not Relevant	Not Relevant



SCOPE AND CATEGORY	EMISSIONS INCLUDED/EXCLUDED (UPS SCOPE & BOUNDARY)	DESCRIPTION OF METHODOLOGY	% EMISSIONS CALCULATED USING DATA OBTAINED FROM VALUE CHAIN PARTNERS
<b>Downstream Scope 3 Emissions</b>			
9. Transportation & Distribution	<i>Not Relevant</i> — We do not report on this category since the category as described by the WRI Guidelines is not applicable to our business because UPS does not offer a sold product. For our sold service, emissions from non-UPS vehicles are reported in category 4 because they are purchased directly by UPS.	Not Relevant	Not Relevant
10. Processing of Sold Products	<i>Not Relevant</i> — We do not report on this category since the category as described by the WRI Guidelines is not applicable to our business because UPS does not offer an intermediate sold product.	Not Relevant	Not Relevant
11. Use of Sold Products	<i>Not Relevant</i> — We do not report on this category since the category as described by the WRI Guidelines is not applicable to our business because UPS does not offer an intermediate sold product.	Not Relevant	Not Relevant
12. End-of-Life Treatment of Sold Products	Includes the global emissions that occur for landfilled and recycled waste from UPS-branded packaging materials sold to customers.  Exclusions: None	Number of pounds of purchased UPS-branded packaging multiplied by the appropriate LCA Emission factor	100%
13. Downstream Leased Assets	<i>Not Relevant</i> — We do not report on this category since the category as described by the WRI Guidelines is not relevant because UPS does not have any significant downstream leased assets.	Not Relevant	Not Relevant
14. Franchises	Estimated electricity and natural gas usage for over 5,000 The UPS Store® locations serving the U.S. and Canada.  Exclusions: Does not include any optional LCA emissions. Source has been excluded due to lack of means to measure emission source.	Using square footage of The UPS Store™ franchises multiplied by an average energy emission factor established by the EPA Energy Star Program	0%
15. Investments	<i>Not Relevant</i> — We do not report on this category since the category as described by the WRI Guidelines is not relevant because UPS does not have any significant investments that fit this category.	Not Relevant	Not Relevant

## 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 percent confidence interval, we are able to estimate the uncertainty for our 2017 GHG inventory as follows:

SCOPE	UNCERTAINTY	MAIN SOURCE OF UNCERTAINTY	% CHANGE 17/16
<b>Scope 1</b>	+/- 1%	International Operations	North America Operations (Small Package, Supply Chain & Freight) and UPS Airlines are our largest source of Scope 1 emissions and represent 97 percent of the total Scope 1 emissions. Well-established processes are in place to capture the primary data for these sources.  International Operations represent 3 percent of the total Scope 1 emissions.
<b>Scope 2</b>	+/- 3%	International Operations	North America Operations (Small Package, Supply Chain & Freight) are our largest source of Scope 2 emissions, representing 88 percent of the total Scope 2 emissions. Well-established processes are in place to capture the primary data for these sources.  International Operations represent 12 percent of the total Scope 2 emissions.
<b>Scope 3</b>	+/- 8%	Use of secondary data	UPS reports on all relevant Scope 3 categories described in the Greenhouse Gas Protocol Corporate Value Chain (Scope 3) Accounting & Reporting Standard.  Calculations for Scope 3 use various sources of secondary data since primary data is unavailable. Examples of the type of secondary data used vary from estimated miles driven, number of packages picked-up/delivered to estimated shipment information (weight and distance per shipment).

## GHG EMISSION FACTORS

The carbon dioxide equivalent emissions associated with the activities described in the detailed description of our operational boundaries were determined on the basis of measured or estimated energy and fuel use, multiplied by relevant carbon emission factors.

Published emission factors were used to calculate emissions from operations.

EMISSIONS SOURCE	EMISSION FACTOR EMPLOYED
<b>Scope 1 — Global</b>	GHG Protocol Emission Factors from Cross-Sector Tools, March 2017
<b>Scope 2 — U.S.</b>	U.S. Environmental Protection Agency eGRID_2016
<b>Scope 2 — Canada</b>	Environment Canada, National Inventory Report, 1990-2014
<b>Scope 2 — Other</b>	CO2 Emissions from Fuel Combustion Highlights (2017 Edition © OECD/IEA)
<b>Scope 3 — Global</b>	Category 1 & 2: GHG Protocol Scope 3 Evaluator Category 3: Argonne National Laboratory GREET_1 2014 Model Model Category 3: U.S. Environmental Protection Agency eGRID_2016 Category 4: EPA SmartWay Carrier Rankings and Emission Rates (railroad only) Category 6: EPA Emission Factors For GHG Inventories, Nov 2015 Category 4, 7, 14: GHG Protocol Emission Factors from Cross-Sector Tools, March 2017 Category 5 & 12: 2012 Guidelines to DEFRA/DECC's GHG Conversion Factors for Company Reporting

## METHODOLOGY

For Scopes 1 and 2, primary usage data is used to calculate GHG Emissions. The primary data is collected through various internal processes and data systems which are inputted into our sustainability performance management software that quantifies associated emissions through the application of the GHG emission factors described above.

GHG emission calculations for Scope 3 use various sources of secondary data since primary data is unavailable. The secondary data used varies from estimated miles driven, number of packages picked-up/delivered to estimated shipment information (weight and distance per shipment). The appropriate GHG activity factor is applied to estimate the emissions reported.

## Carbon Offset Purchases From UPS Carbon Neutral Product

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>e generation or sequestration of CO<sub>2</sub>e in addition to what would have been achieved by activities already planned or underway.

PROJECT NAME	PROJECT LOCATION	OFFSET STANDARD	PROJECT TYPE	2017 METRIC TONNES RETIRED	2016 METRIC TONNES RETIRED
Garcia River Forest	U.S. (California)	CAR	Reforestation	36,165	52,557
Big River and Salmon Creek Forests	U.S. (California)	CAR	Reforestation	34,258	25,000
Wolf Creek Landfill	U.S. (Georgia)	CAR	Landfill Gas	10,000	10,000
Chol Charoen Group Wastewater Treatment with Biogas System 1	Thailand	VCS	Wastewater Methane Destruction	14,105	13,257
Bangkok Kamphaeng Saen East: Landfill Gas to Electricity Project	Thailand	VCS	Landfill Gas	0	10,000
<b>Total Carbon Offsets</b>				<b>94,528</b>	<b>110,814</b>

305-2

*Energy indirect (Scope 2) GHG emissions.*

See Disclosure 305-1 — Direct (Scope 1) GHG emissions

## Scope 3 Emissions by Category

GLOBAL CO2E EMISSIONS ('000 TONNES)	2017	2016 <sup>(1)</sup>	BASE YEAR (2015) <sup>(1)</sup>	
<b>Total Scope 3 Emissions</b>	<b>20,071</b>	<b>17,430</b>	<b>16,877</b>	
<b>Upstream</b>				
<b>1 Purchased Goods &amp; Services</b>	<b>2,739</b>	<b>2,478</b>	<b>2,533</b>	
<b>2 Capital Goods</b>	<b>3,914</b>	<b>2,175</b>	<b>1,746</b>	
<b>3 Fuel &amp; Energy Related (not incl. Scope 1 &amp; 2)</b>	<b>3,426</b>	<b>3,313</b>	<b>3,226</b>	
	Jet A (well to pump)	2,149	2,016	1,926
	Diesel (well to pump)	681	693	760
	Gasoline (well to pump)	343	298	271
	CNG (well to pump)	72	53	11
	Propane/LPG (well to pump)	11	10	9
	LNG (well to pump)	54	63	72
	Biomass (well to pump)	25	70	63
	Natural Gas, Heating Oil, Propane (stationary)	49	50	55
	Electricity (T&D losses/generation of)	42	60	59
<b>4 Transportation &amp; Distribution</b>	<b>7,903</b>	<b>7,468</b>	<b>7,417</b>	
	Subcontracted Air	3,823	3,436	3,804
	Subcontracted Ground	3,214	3,216	2,784
	Subcontracted Rail	439	370	368
	Subcontracted Ocean	427	446	461
<b>5 Waste Generated in Operations</b>	<b>25</b>	<b>22</b>	<b>19</b>	
	Landfilled, Incinerated, Recovery, Recycled	25	22	19
<b>6 Business Travel</b>	<b>89</b>	<b>92</b>	<b>78</b>	
	Business Travel — Air/Rail/Car	89	92	78
<b>7 Employee Commuting</b>	<b>1,909</b>	<b>1,822</b>	<b>1,798</b>	
	U.S. Domestic Package	1,452	1,372	1,341
	International Package	336	330	332
	Global Supply Chain & Freight	121	120	125
<b>8 Leased Assets</b>	<b>Not Relevant</b>	<b>Not Relevant</b>	<b>Not Relevant</b>	
<b>Downstream</b>				
<b>9 Transportation &amp; Distribution</b>	<b>Not Relevant</b>	<b>Not Relevant</b>	<b>Not Relevant</b>	
<b>10 Processing of Sold Products</b>	<b>Not Relevant</b>	<b>Not Relevant</b>	<b>Not Relevant</b>	
<b>11 Use of Sold Products</b>	<b>Not Relevant</b>	<b>Not Relevant</b>	<b>Not Relevant</b>	
<b>12 End-of-Life Treatment of Sold Products</b>	<b>10</b>	<b>9</b>	<b>9</b>	
	Landfilled/Recycled	10	9	9
<b>13 Leased Assets</b>	<b>Not Relevant</b>	<b>Not Relevant</b>	<b>Not Relevant</b>	
<b>14 Franchises</b>	<b>56</b>	<b>51</b>	<b>51</b>	
	The UPS Store® — Electricity/Natural Gas	56	51	51
<b>15 Investments</b>	<b>Not Relevant</b>	<b>Not Relevant</b>	<b>Not Relevant</b>	

(1) We previously reported in the FY15 and FY16 published CSR and GHG Emissions Statements unrounded sub-total figures. The relevant figures have been rounded and restated to ensure that all totals and sub-totals appropriately foot and cross-foot. There have been no changes to actual GHG emissions previously reported.

## Emissions by Business Unit

	U.S. DOMESTIC PACKAGE			INTERNATIONAL PACKAGE			GLOBAL SUPPLY CHAIN & FREIGHT			TOTALS		
	2017	2016	Base Year (2015) <sup>(1)</sup>	2017	2016 <sup>(1)</sup>	Base Year (2015) <sup>(1)</sup>	2017	2016	Base Year (2015) <sup>(1)</sup>	2017	2016	Base Year (2015)
Global CO <sub>2</sub> e Emissions ('000 tonnes)												
Scope 1	7,857	7,446	7,186	4,459	4,254	4,150	731	732	861	13,047	12,432	12,197
Scope 2	567	627	602	67	63	71	111	141	141	745	831	814
<b>Total Scope 1 &amp; 2</b>	<b>8,424</b>	<b>8,073</b>	<b>7,788</b>	<b>4,526</b>	<b>4,317</b>	<b>4,221</b>	<b>842</b>	<b>873</b>	<b>1,002</b>	<b>13,792</b>	<b>13,263</b>	<b>13,011</b>
Scope 3	10,987	8,811	8,287	2,790	2,693	2,552	6,294	5,926	6,038	20,071	17,430	16,877
<b>Total Scope 1, 2 &amp; 3</b>	<b>19,411</b>	<b>16,884</b>	<b>16,075</b>	<b>7,316</b>	<b>7,010</b>	<b>6,773</b>	<b>7,136</b>	<b>6,799</b>	<b>7,040</b>	<b>33,863</b>	<b>30,693</b>	<b>29,888</b>

CO<sub>2</sub>e Intensity by Business Unit

	U.S. DOMESTIC PACKAGE			INTERNATIONAL PACKAGE			GLOBAL SUPPLY CHAIN & FREIGHT			TOTALS		
	2017	2016	Base Year (2015)	2017	2016 <sup>(1)</sup>	Base Year (2015)	2017	2016	Base Year (2015)	2017	2016	Base Year (2015)
Global CO <sub>2</sub> e Emissions ('000 tonnes)												
Revenue in Millions	\$40,764	\$38,301	\$36,747	\$13,338	\$12,350	\$12,149	\$11,770	\$10,255	\$9,467	\$65,872	\$60,906	\$58,363
Scope 1	0.193	0.194	0.196	0.334	0.344	0.341	0.062	0.071	0.091	0.198	0.204	0.209
Scope 2	0.014	0.017	0.016	0.005	0.005	0.006	0.009	0.014	0.015	0.011	0.014	0.014
<b>Total Scope 1 &amp; 2</b>	<b>0.207</b>	<b>0.211</b>	<b>0.212</b>	<b>0.339</b>	<b>0.349</b>	<b>0.347</b>	<b>0.071</b>	<b>0.085</b>	<b>0.106</b>	<b>0.209</b>	<b>0.218</b>	<b>0.223</b>
Scope 3	0.270	0.230	0.225	0.209	0.218	0.210	0.535	0.578	0.638	0.305	0.286	0.289
<b>Total Scope 1, 2 &amp; 3</b>	<b>0.477</b>	<b>0.441</b>	<b>0.437</b>	<b>0.548</b>	<b>0.567</b>	<b>0.557</b>	<b>0.606</b>	<b>0.663</b>	<b>0.744</b>	<b>0.514</b>	<b>0.504</b>	<b>0.512</b>

(1) We previously reported in the FY15 and FY16 published CSR and GHG Emissions Statements unrounded sub-total figures. The relevant figures have been rounded and restated to ensure that all totals and sub-totals appropriately foot and cross-foot. There have been no changes to actual GHG emissions previously reported.

## Scope 1 and Scope 2 Emissions by Source

GLOBAL CO2E EMISSIONS ('000 TONNES)	2017	2017 PERCENT TO TOTAL	2016	BASE YEAR (2015)
<b>Airline Fuel</b>	<b>8,190</b>	<b>59.4%</b>	<b>7,720</b>	<b>7,375</b>
<b>Ground Vehicle Fuel</b>	<b>4,631</b>	<b>33.6%</b>	<b>4,496</b>	<b>4,587</b>
Diesel	2,998	21.7%	3,050	3,345
Gasoline	1,044	7.6%	905	823
CNG	269	1.9%	197	43
Propane/LPG	80	0.6%	75	70
LNG	223	1.6%	262	299
Biomass (CH4 and N2O only)	10	0.1%	0	0
HFCs (fugitive)	7	0.1%	7	7
<b>Facility Fuel</b>	<b>226</b>	<b>1.6%</b>	<b>216</b>	<b>235</b>
Natural Gas	212	1.5%	202	221
Heating Oil	4	0.0%	4	5
Propane	10	0.1%	10	9
<b>Facility Electricity</b>	<b>745</b>	<b>5.4%</b>	<b>831</b>	<b>814</b>
<b>Grand Total</b>	<b>13,792</b>		<b>13,263</b>	<b>13,011</b>

## 2017 Carbon Intensity Emissions Avoided Since Base Year (2015)

EMISSIONS REDUCTION DESCRIPTION: THE FOLLOWING THREE METRICS ARE THE COMPONENTS OF THE UPS TRANSPORTATION INTENSITY INDEX	ABSOLUTE CO <sub>2</sub> e EMISSIONS AVOIDED SINCE 2015 (METRIC TONNES)	2017 CO <sub>2</sub> e INTENSITY	2015 CO <sub>2</sub> e INTENSITY	COMMENTS
U.S. Domestic Package: Absolute CO <sub>2</sub> e Avoided (Ground Operations Only)	385,000 <sup>(1)</sup>	2.23	2.36	<ul style="list-style-type: none"> <li>CO<sub>2</sub>e Intensity factor expressed in lbs CO<sub>2</sub>e per Package</li> <li>Scope is U.S. Domestic Package ground movements</li> <li>Avoided Absolute CO<sub>2</sub>e = (2015 CO<sub>2</sub>e Intensity x 2017 # of packages) – (2017 CO<sub>2</sub>e Intensity x 2017 # of packages)</li> </ul>
Global UPS Airlines: Absolute CO <sub>2</sub> e Avoided	(88,000) <sup>(1)</sup>	1.41	1.40	<ul style="list-style-type: none"> <li>CO<sub>2</sub>e Intensity factor expressed in lbs CO<sub>2</sub>e per Package</li> <li>Scope is UPS Airlines — Global Operations</li> <li>Avoided Absolute CO<sub>2</sub>e = (2015 CO<sub>2</sub>e Intensity x 2017 ATM) – (2017 CO<sub>2</sub>e Intensity x 2017 ATM)</li> </ul>
U.S. Supply Chain & Freight: Absolute CO <sub>2</sub> e Avoided	202,000 <sup>(1)</sup>	0.17	0.19	<ul style="list-style-type: none"> <li>CO<sub>2</sub>e Intensity factor expressed in lbs CO<sub>2</sub>e per lb of freight</li> <li>Scope is UPS Freight® LTL ground movements</li> <li>Avoided Absolute CO<sub>2</sub>e = (2015 CO<sub>2</sub>e Intensity x 2017 lbs.of freight) – (2017 CO<sub>2</sub>e Intensity x 2017 lbs of freight)</li> </ul>
<b>Total</b>	<b>499,000 metric tonnes</b>			

(1) Cumulative CO<sub>2</sub>e emissions avoided since 2015 are estimated from the Transportation Intensity Index improvements from 2015 to 2017.

## 2017 Intermodal Shift Emissions Avoidance

Emissions Reduction Description	Absolute CO <sub>2</sub> e Emissions Avoided in 2017 (metric tonnes)	Total Absolute CO <sub>2</sub> e Emissions Avoided Since 2015 (metric tonnes)
Air to Ground Mode Shift (U.S. Package Operations)	2,787,000 <sup>(2)</sup>	5,236,000
Ground to Rail Mode Shift (U.S. Package Operations)	1,004,000 <sup>(2)</sup>	1,940,000
<b>Total</b>	<b>3,791,000</b>	<b>7,176,000</b>

(2) Absolute CO<sub>2</sub>e emissions avoided in 2017, due to intermodal shifts that occur in the U.S. Domestic Package.

This indicator is not applicable since UPS does not produce, import, or export ODS.



The EPA Motor Vehicle Emission Simulator (MOVES) model is used to calculate ground vehicle emissions.

## Particulate Emission Reduction

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

	2017	2016	2015	BASE YEAR (2012)	2020 GOAL
PM2.5 Emissions per Ground Vehicle (kg PM2.5/vehicle)	8 (58% reduction)	9	10	18	75% reduction from 2012 baseline
NOx Emissions per Ground Vehicle (kg NOx/vehicle)	216 (57% reduction)	251	280	503	60% reduction from 2012 baseline

## 306 Effluents & Waste

**NOTE:** Effluents and waste is not a material issue for UPS, but we provide some perspective in this report for those stakeholders who have an interest in this issue.

UPS is currently collecting and disclosing data for solid, hazardous, and nonhazardous waste for operations in the U.S., based on information provided by our waste disposal vendors. Because UPS is not involved in manufacturing, our management and mitigation of effluents and waste is limited primarily to solid waste disposal and recycling from supplier packaging, pallets, scrap metal, office paper, plastics, and mixed recycling, as well as generated waste from aircraft maintenance, vehicle maintenance, and facility operations.

### Solid Waste Management

Efforts to improve our recycling programs and reporting at more than 1,200 U.S. facilities have led to an increase in reported tonnage of solid waste recycled. By expanding our recycling programs and fully utilizing national recycling vendors, UPS is better equipped to manage recycling efforts and report data more comprehensively. Following are some of our achievements to date:

2013 — Increased solid waste management through a national vendor (solid waste recycling)

2014 — First year reporting on scrap metal recycling from vehicle retirements (nonhazardous waste)

2015 and 2016 — Increased pallet recycling program (solid waste recycling)

### Hazardous and Nonhazardous Waste Management

The hazardous and nonhazardous wastes we manage come from aircraft, vehicles, and facility operations. These wastes typically include spent antifreeze, used oil, spent solvents, spill residues, paint wastes, used filters, batteries, e-waste, scrap metal, and leaking packages. We work with national vendors to recycle or dispose of hazardous and nonhazardous waste, and local vendors to recycle or dispose of nonhazardous waste.

Hazardous waste vendors are well-established, observe industry standard safety procedures, and are regularly audited by UPS and/or an external 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 details responsible waste and disposal methods.

## U.S. Waste Disposal & Recycling Trend (U.S. Tons)

	2017	2016	2015	2014
Solid Waste Disposal Total	98,290	76,635	80,919	77,102
Solid Waste Recycling Total	256,077	242,325	210,908	138,166
Hazardous Waste Total	1,760	1,575	1,524	1,394
Nonhazardous Waste Total	62,071	44,534	50,856	54,875
<b>Total Waste</b>	<b>418,198</b>	<b>365,069</b>	<b>344,207</b>	<b>271,537</b>

## 2017 U.S. Waste Disposal & Recycling (U.S. Tons)

U.S. DOMESTIC PACKAGE, SUPPLY CHAIN & FREIGHT	INCINERATED	LANDFILLED	RECOVERY	RECYCLED	TOTAL
<b>Solid Waste Disposal Total</b>	<b>15</b>	<b>98,275</b>	<b>0</b>	<b>0</b>	<b>98,290</b>
National Vendors	15	93,544	0	0	
Local Vendors	0	4,731	0	0	
<b>Solid Waste Recycling Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>256,077</b>	<b>256,077</b>
Corrugated Containers — National Vendors	0	0	0	23,609	
Pallets & Wood Waste — National Vendors	0	0	0	208,829	
Metals — National Vendors	0	0	0	8,125	
Mixed Recycling — National Vendors	0	0	0	15,033	
Office Paper — National Vendors	0	0	0	400	
Plastics — National Vendors	0	0	0	81	
<b>Hazardous Waste Total</b>	<b>618</b>	<b>26</b>	<b>651</b>	<b>465</b>	<b>1,760</b>
Auto, Aircraft, Facility Maintenance, Damaged Packages, Etc. — National Vendors <sup>(1)</sup>	618	26	651	465	
Auto, Aircraft, Facility Maintenance, Damaged Packages, Etc. — Local Vendors	0	0	0	0	
<b>Nonhazardous Waste Total</b>	<b>867</b>	<b>151</b>	<b>2,609</b>	<b>58,444</b>	<b>62,071</b>
Auto, Aircraft, Facility Maintenance, Damaged Packages, Etc. — National Vendors	612	90	1,565	7,362	
Electronic Waste — National Vendors	0	0	0	1,076	
Batteries — National Vendors <sup>(2)</sup>	0	0	0	13	
Scrap Metal From Vehicle Retirement	0	0	0	43,731	
Auto, Aircraft, Facility Maintenance, Damaged Packages, Etc. — Local Vendors	255	61	1,044	6,262	
<b>Total Waste By Disposal Method</b>	<b>1,500</b>	<b>98,452</b>	<b>3,260</b>	<b>314,986</b>	<b>418,198</b>

(1) Approved national vendor — approval process consists of vendor site visits, audits, and other internal controls.

(2) Rechargeable and nonrechargeable batteries, excluding automotive batteries.

306-3

*Significant spills.***Number of Reportable Spills**

	2017	2016	2015	2014
U.S. Domestic Package	62	58	69	73
U.S. Supply Chain & Freight	21	12	27	14

**Volume of Reportable Spills (gallons)**

	2017	2016	2015	2014
U.S. Domestic Package	2,721	2,346	1,656	2,106
U.S. Supply Chain & Freight	4,241	862	1,362	721

306-4

*Transport of hazardous waste.*

No hazardous waste generated within the U.S. is shipped outside of the United States. For waste generated outside the U.S., data is not available at this time.

**307 Environmental Compliance**

103-1, 2, 3

*Management Approach*

**NOTE:** Environmental compliance is not a material issue for UPS, but we provide some perspective in this report for those stakeholders who have an interest in this issue.

Through our Corporate Environmental Affairs Department, we have established site- and activity-specific programs for environmental compliance and pollution prevention. We continually evaluate new technologies and seek opportunities to improve environmental performance where possible. Everyone who is part of UPS is expected to support efforts to maintain a leadership role in protecting the environment.

Our management approach includes an Environmental Policy Statement and a set of Environmental Guidance Statements that specify how the policy is to be implemented. These Statements are available at <https://sustainability.ups.com/resources/policies-and-procedures/>.

307-1

*Non-compliance with environmental laws and regulations.***Penalties as a Percent of Total Environmental Inspections**

	2017	2016	2015	2014
U.S. Domestic Package	0.13	0.46	0.77	0.13
U.S. Supply Chain & Freight	0	0	1.35	1.29

## 308 Supplier Environmental Assessment

103-1, 2, 3

### *Management Approach*

See Disclosure 204 — Supply Chain Management Approach

308-1

### *New suppliers that were screened using environmental criteria.*

Due to confidentiality constraints, UPS does not report specific numbers or percentages related to screening or impact assessments, as this information is subject to confidentiality constraints of our supplier contracts. In 2017, we were not aware of any significant environmental, social, or labor concerns related to our suppliers.

308-2

### *Negative environmental impacts in the supply chain and actions taken.*

Due to confidentiality constraints, UPS does not report specific numbers or percentages related to screening or impact assessments, as this information is subject to confidentiality constraints of our supplier contracts. In 2017, we were not aware of any significant environmental, social, or labor concerns related to our suppliers.

## 401 Employment

103-1, 2, 3

### *Management Approach*

See 2017 UPS Sustainability Progress Report — Empowered People Overview

401-1

### *New employee hires and employee turnover.*

(Through September 2017 to account for year-round employees rather than seasonal peak hires. Does not include Coyote Logistics or Marken.)

<b>New Permanent Global</b>	140,383
<b>U.S. Permanent Employees</b>	125,720
<b>New U.S. Employees by Gender</b>	Male — 78 percent Female — 22 percent
<b>New U.S. Employees by Age</b>	Under 30 years old — 28 percent 30-50 years old — 50 percent Over 50 years old — 22 percent
<b>Peak Holiday Shipping Season Hires</b>	95,000
<b>Full-Time Global Employee Retention Rate</b>	89 percent*

\*UPS does not provide additional statistics to turnover and retention rates due to confidentiality constraints.

### *Benefits provided to full-time employees that are not provided to temporary or part-time employees.*

UPS provides health benefits for many employees, retirees, and their dependents through several plans administered to meet the health and wellness needs of various employee groups. In addition, we make contributions on behalf of UPS employees who are covered by union-administered plans. These contributions are for our employees and their eligible dependents.

While there are variations in available plans, the following is an example of typical benefits provided to UPS employees in the U.S., where a majority of our employees are located:

- Medical care, including a prescription drug program
- Dental care
- Vision care
- Life insurance
- Supplemental life insurance
- Business travel accident insurance
- Short-term and long-term disability coverage
- Child/eldercare spending accounts
- Pretax healthcare spending and savings accounts
- Work-life balance programs
- Employee Assistance Program, including work/life issues (financial concerns, child care, substance abuse, and more)

In most countries and territories around the globe, we contribute to the mandatory social security systems that generally provide health, unemployment, disability, and retirement benefits for employees in that country. In addition to these mandatory government systems, we provide healthcare, life, disability, and/or retirement benefits to more than 81,000 employees outside the United States. Some of these programs are mandatory, whereas others are provided to employees as part of the normal market practice.

In many countries outside the United States, legislation or national practice provides citizens with benefits programs as an integral part of the social system. We offer private-benefit plans to our international operations to supplement these programs.

We further invest in our people by offering a competitive range of other benefits, such as paid time off, retirement plans, and tuition assistance, in addition to those for health and wellness. In the United States, these other benefits are generally provided to non-union employees without regard to full-time or part-time status.

Certain benefits are not available to all or some part-time employees. These include long-term disability coverage, business travel accident insurance, and tuition assistance; availability may vary by location and employee position. Furthermore, some of these benefits may, in practical terms, apply only to management employees, such as those taking advantage of our relocation programs. Our union employees bargain collectively for their benefits via their union representatives. Temporary employees and seasonal workers are generally ineligible for UPS benefits.

Under the U.S. Family and Medical Leave Act (FMLA), UPS employees in the U.S. are eligible for parental leave if they have worked for UPS for at least 12 months, and 1,250 hours over the previous 12 months. Additionally, any UPS employee who is not eligible according to the FMLA requirements but has worked at UPS for a minimum of 36 consecutive months and for at least 625 hours during the previous 12-month period may still be eligible for leave under the UPS leave policy. In 2017, 354,133 employees qualified for FMLA leave as well as short-term disability maternity leave. In addition, there are state laws that offer greater protections or have eligibility requirements that differ from the federal law.

Due to changes in collective bargaining agreements and HR information tracking systems, UPS does not have visibility into the leave, return, or retention rates for union employees. There is currently no plan to begin collecting this data.

## 402 Labor/Management Relations

UPS is one of the world's largest private employers. More than three-quarters of our employees in the U.S. are represented by unions, including almost everyone who handles or transports packages. In addition, approximately 2,700 pilots who flew for UPS Airlines in 2017 are represented by the Independent Pilots Association (IPA). Throughout its global operations, the Company works with many other unions, associations, and works councils where we have collectives.

We bargain in good faith on all matters involving our unions and the employees they represent. This includes dealing with union leaders at the national level and working with local chapters throughout the United States, and participating in works councils and associations outside the U.S., which allows us to respond to emerging regional issues. This work helps our operations to build and maintain relationships with our employees. We are not aware of any operations or suppliers in which the right to exercise freedom of association and collective bargaining may violate applicable laws or be at significant risk.

We communicate frequently with our people and their unions at many levels of the Company to ensure that all parties are working toward positive results for UPS employees and other major stakeholders.

Our U.S. agreements also have specific provisions regarding the methods for resolving grievances. These provisions mandate periodic meetings of union and Company representatives, with escalation to the next level if the parties cannot agree on a resolution. Non-union employees have an alternative process available for dispute resolution. To help us maintain and enhance successful relationships with our unions, we do not publish the number of grievances related to collective bargaining agreements filed, addressed, or resolved during current or prior reporting periods.

UPS also works with organized labor on key environmental issues. For several years we have served on the Corporate Advisory Board of the Blue-Green Alliance, a group of labor and environmental organizations, to discuss emerging environmental issues and solutions.

UPS evaluates the success of labor relations based on continued collaborative working relationships with unions, associations, and work councils, as we have over the past 90 years. In the U.S., the current National Master Agreement with IBT and related local agreements expire on August 1, 2018.

UPS's collective bargaining agreements include minimum notice periods regarding operational changes, which vary by master agreement and also according to specific requirements for local chapters of our unions. For example, the labor agreement covering U.S. package delivery operations requires a minimum notice period of 45 days.

## 403 Occupational Health & Safety

UPS customers worldwide depend on us to meet important deadlines every day. As the world's economies develop and e-commerce expands, the expectations of customers are changing. This, in turn, creates new challenges to ensuring employee health and safety.

Strong health and safety programs are the result of appropriate process and risk control, and depend on factors ranging from methods followed to proper employee training. We take a three-pronged approach in developing a culture of health and safety: investing in comprehensive safety training and audits; promoting wellness practices which mitigate risk; and offering benefits that keep employees safe in the workplace and beyond.

Training, coaching, and recognition are critical components to fostering a culture of safety. Safety professionals at UPS teach a comprehensive range of workshops, certifying frontline managers and supervisors who instruct employees in the specifics of each course. In 2017, UPS spent more than \$209 million on safety training courses (22 percent of total training spend) and UPSers spent more than 5.8 million hours (37 percent of total training time) in training classes. Formal training is supplemented with mentoring programs that enable employees to learn from others with more experience. Our employees with exceptional safety records are recognized and encourage others to strive for the same high standards.

On-road safety is a priority focus area. Vehicle crashes have represented a significant portion of UPS employee fatalities and are the leading cause of death and injury in the workplace, according to the National Safety Council. In addition to providing in-depth training for drivers, we are equipping our vehicles with new technologies, such as advanced collision mitigation systems, to help reduce vehicle crashes. Telematics data gathered in our U.S. Domestic Small Package Operations allows us to promote and coach safe driving behaviors. In addition, we continue to enforce compliance with regulations pertaining to working hours, rest hours, and leave times for people who drive and operate vehicles.

Beyond training, we use a Comprehensive Health and Safety Process (CHSP) to improve the overall health and safety environment of UPS employees. Working closely with our unions, there are more than 3,350 CHSP committees worldwide, which are co-chaired by employees and management. The committees conduct facility and equipment audits, perform work practice and behavioral analysis, conduct training, and recommend work process and equipment changes.

We follow a global wellness guide called the Five Being Habits that focuses on five areas of wellness: fitness, sleep, nutrition, stress management, and hydration. These habits serve as actionable steps that employees and their families can take toward creating healthy lifestyles.

We use Quality Validation Assessments (QVAs) to verify and measure the effectiveness of safety and wellness leadership; daily planning and execution; and communication and coaching. In 2017, the total number of UPS management employees who received Quality Validation Training increased to over 10,000.

Our Safety Health Risk Management Information System tracks important H&S data in Canada, Puerto Rico, and the United States. Outside of those areas, we use the International Incident Report Tool to track injuries, auto crashes, and near-misses. The tools provide daily visibility of injury and auto crash trends globally as well as the ability to perform data analysis to identify risks and implement control measures.

403-1

*Workers representation in formal joint management — worker health and safety committees.*

All of our United States collective bargaining agreements contain provisions that address the health and safety of union employees. These agreements include, but are not limited to, health and safety committees, hazardous materials handling, vehicle and personal safety equipment, accidents, and reports.

The framework for the Comprehensive Health and Safety Process allows for approximately 10 percent of the workforce to participate on safety committees, which represent all employees.

403-2

*Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities.*

See 2017 UPS Sustainability Progress Report, Empowered People, Safety Performance, page 31.

We had a 0.9 percent improvement in Auto Crash frequency with our continued investments in driver training and vehicle technology. In 2017, we experienced an increase of 1.6 percent in Lost Time Injury Frequency which was impacted by capacity demands of e-commerce growth and shipment dynamics; however, we continue to maintain rates below transportation and warehousing sector benchmarks.

In the United States, Canada, and Puerto Rico, our largest area of operations, 77.7 percent of injuries involved men and the remaining 22.3 percent involved women. UPS saw 15 fatalities worldwide, 13 in the U.S., with two being female; and two male employees outside the U.S. (Nigeria and Guadalajara). Seven fatalities involved acts of violence, four involved vehicle crashes, three involved yard incidents, and one driver was struck by another vehicle.

These statistics include data from UPS subsidiaries Coyote Logistics and Marken.

Due to confidentiality constraints, UPS does not currently track or report this data for contractors.



403-3

*Workers with high incidence or high risk of diseases related to their occupation.*

We are not aware of any occupational diseases among UPS employees, or of any incidence or high risk of disease related to occupations at UPS.

403-4

*Health and safety topics covered in formal agreements with trade unions.*

See Disclosure 403-1 — Workers Representation in Formal Joint Management — Worker Health and Safety Committees

## 404 Training & Education

103-1, 2, 3

*Management Approach*

We believe that UPS employees are among the most motivated, highest-performing people in the industry, and they represent a meaningful competitive advantage for our Company. This makes it critical to recruit the best people and keep them for the long term — an especially important aim amid changes to our industry, customers, and the world's transportation infrastructure.

Once we have successfully recruited new employees, we retain them by promoting from within, offering a range of continuous training and talent development opportunities, and identifying employee potential early to accelerate career development. These offerings combine experience, exposure, and education for employees at every level of our organization.

We continue to focus our human capital strategies on the employee experience while working at UPS. This extends to recruitment efforts, our first touchpoint in the employee life cycle. Our approach spans both hourly and professional recruitment efforts, where we tailor our methodologies to suit the needs of these two distinct candidate pools. Communicating a compelling Employee Value Proposition (EVP) is key to our ability to successfully recruit a qualified, diverse workforce in competitive markets. As we evolve our EVP to remain competitive, we continually enhance recruitment messages in advertising, social media, recruitment events, and other communication vehicles.

U.S. veterans are an ongoing focus of our recruitment efforts. Veteran-specific recruitment and engagement tools drive our success among this important demographic, and we continue to expand our efforts to recruit veterans. The UPS Veteran Career Gateway and the UPS Military Transition app were designed to help U.S. veterans and transitioning service members find information about the job process at UPS.

In addition to recruiting the right people, we also want to ensure we are developing our people. One way we do this is through our Education Assistance program. UPS helps college students finance their education through one of the more generous tuition reimbursement programs in the marketplace. Students can use up to \$25,000 for their education and attend school while working part-time or full-time at UPS. This is an important recruiting and retention tool; turnover among program participants in part-time positions is significantly lower than among nonparticipants. UPS has invested in the college tuition of 290,000 employees, including more than 20,800 in 2017.

When it comes to ongoing development, we focus on helping UPSers hone the skills needed to excel in their roles and achieve their long-term career goals. We are working toward a more self-directed development model in which UPSers and their managers collaborate to determine the most beneficial training programs and development opportunities on an individual basis.

Training and development includes constructive feedback, coaching, and counseling from managers and co-workers. Employees receive formal and informal development delivered through live and virtual classrooms, on-the-job tasks, committee participation, and special assignments. Additionally, self-development opportunities are available around the clock through an extensive eLearning library in UPS University, our enterprise-wide learning management system and component of our global talent management system, My Talent Center. In 2017, UPS devoted more than \$967 million to training programs, and UPSers dedicated more than 16 million hours in training.

Quarterly performance reviews combined with annual career development planning and ongoing feedback help our people measure performance, recognize accomplishments, and identify areas for continued development. Our Individual Development Plan emphasizes learning from a combination of experiences, exposure opportunities, and formal training. We are entering the second year of our newly refined employee potential assessment, which allows us to develop our people at a faster pace than we could in the past.

404-1

*Average hours of training per year per employee.*

## 2017 Employee Training

EMPLOYEE CATEGORY	AVERAGE NUMBERS OF TRAINING HOURS PER EMPLOYEE
Senior/Middle Management	62.5
Entry-Level Management	60.4
Administrative/Technical	6.1
Nonmanagement	32.3
By Gender	
Average # of training hours females receive as a ratio (hours/# of employees)	38.9
Average # of training hours males receive as a ratio (hours/# of employees)	38.5

404-2

*Programs for upgrading employee skills and transition assistance programs.*

In many cases, the best candidates for open positions are already working at UPS. When business cycles or other forces drive changes in our staffing needs, we take steps to retain and promote our people. This includes promoting part-time workers into full-time positions, transferring employees into equivalent positions in other departments, and training employees for new assignments with greater responsibility. In 2017, there were more than 1,300 employees who elevated from nonmanagement positions to roles on our management team.

See also Disclosure 403: 103-2

404-3

*Percentage of employees receiving regular performance and career development reviews.*

Performance discussions, assessments on leadership skills and UPS values, and ongoing feedback prepare management teams to identify meaningful career development plans. Through our career development process, management employees identify interests, aspirations, and plans for future professional growth. These discussions determine strengths and opportunities, and encourage individuals to focus on career goals.

In 2017 we embarked on an enterprise-wide initiative involving the redesign of many talent management processes and the implementation of a newly integrated technology platform which launched on March 1. The initiative included comprehensive behavioral training on managing performance and career development to help effectively execute the new processes. As a result of these changes, our report on performance and career reviews is not directly comparable to our 2016 report, but covers all management – both senior/middle and entry-level. The performance review numbers of 45 percent of female management and 50 percent of male management, respectively, are representative of all employees who chose “Yes to Advancement” and who had data in the system indicating their fit for a next-level position.

## 405 Diversity & Equal Opportunity

103-1, 2, 3

### *Management Approach*

As a global company, UPS's values are rooted in the diversity and inclusion that thrives inside and outside our walls. By leveraging diverse perspectives and creating inclusive environments, we have the opportunity to improve organizational effectiveness, cultivate innovation, and drive growth. Diversity and inclusion also enable us to adapt and excel in an ever-evolving global marketplace.

We approach diversity and inclusion based on our mission to connect and empower our employees, customers, suppliers, and communities for success, embracing the dynamics of different backgrounds, experiences, and perspectives to propel our growth. Diversity and inclusion benefit the economic sustainability of our business by helping us to better understand and meet customer needs, as well as strengthening our workplace environment so that employees can be more successful. We strive to be a model for how diversity and inclusion can create business and societal value.

Today, we take an increasingly integrated approach to diversity and inclusion across stakeholder groups that include employees, customers, suppliers, and communities. UPS's Chief Diversity and Inclusion Officer leads these efforts globally, supported by the UPS Diversity and Inclusion Steering Council. The Council, which meets throughout the year, is chaired by our CEO and composed of senior leaders who set and support strategies for the organization while serving as visible champions for diversity and inclusion. 2017 marked the 20th anniversary of UPS's Diversity and Inclusion Steering Council.

As a global company serving more than 220 countries and territories, we recognize that diversity is defined differently around the world. The process of building a diverse global workforce begins with recruiting talented people, regardless of visible characteristics such as race, gender, and age, or less obvious characteristics such as personality, ethnicity, ability, sexual orientation, education, religion, lifestyle, values, beliefs, experiences, backgrounds, preferences, family situations, or behaviors. We then reward and promote people based on their skills, knowledge, experience, and performance.

Business Resource Groups (BRGs) offer networking and learning opportunities to UPSers from a variety of backgrounds. All BRGs have advisors and sponsors among senior management. BRG sponsors, who are members of our Management Committee, help connect BRGs with people at the highest levels of UPS, so the BRG can best align their objectives with those of the Company. BRGs at UPS make significant contributions to growing the business, developing our people, and supporting the communities we serve.

Achieving greater workplace diversity is an ongoing process. In 2016, UPS established internal aspirational goals for numbers of women in our workforce across the globe and numbers of minorities in the U.S. With a year's worth of metrics now available, we continue to monitor our progress.

Lasting change requires shifting our culture, and we are driving this transformation from the top as well as through grassroots efforts. We are providing additional transparency to senior leadership in the form of reports, education, and training. In performance reviews for managers, we evaluate how well the individual fosters an inclusive environment in which everyone is afforded opportunities to contribute and develop.

## 2017 Governance Body Diversity

(as of 3/16/18)

Governance Bodies	AGE GROUP			GENDER		MINORITY GROUP (United States)*			
	<30	30-50	>50	Male	Female	African-American	Latino	Asian-American	Other**
Board of Directors	0%	8%	92%	69%	31%	8%	0%	0%	0%
Management Committee	0%	18%	82%	82%	18%	18%	9%	0%	0%

\*As employment type varies from country to country and a significant part of the UPS workforce is in the U.S., we chose to focus on U.S. employment type.

\*\*Indicates two or more.

## 2017 Statistical Snapshot of UPS Diversity\*

Employee Categories	AGE GROUP			GENDER		MINORITY GROUP (United States)			
	<30	30-50	>50	Male	Female	African-American	Latino	Asian-American	Other**
<b>Total</b>	<b>28%</b>	<b>50%</b>	<b>22%</b>	<b>80%</b>	<b>20%</b>	<b>23%</b>	<b>15%</b>	<b>3%</b>	<b>3%</b>
Senior/Middle Management	9%	60%	31%	75%	25%	14%	9%	6%	1%
Entry Level Management	40%	45%	15%	65%	35%	24%	14%	3%	4%
Administrative/Technical	24%	53%	23%	40%	60%	23%	13%	4%	3%
Nonmanagement	30%	48%	22%	86%	14%	24%	16%	2%	3%

\*Data collected on 9/30/17 to account for year-round employees rather than seasonal peak hires. Does not include Coyote Logistics.

\*\*Indicates two or more.

## Employment Type by Category

	MALE		FEMALE		TOTAL
	FULL TIME	PART TIME	FULL TIME	PART TIME	
Senior/Middle Management	75%	0%	25%	0%	100%
Entry Level Management	14%	51%	10%	25%	100%
Administrative/Technical	34%	6%	45%	15%	100%
Nonmanagement	45%	41%	3%	11%	100%

UPS provides for equal remuneration policies globally with regard to women and men and has policies and procedures in place to support our compliance with applicable laws and regulations.

## 407 Freedom of Association & Collective Bargaining

103-1, 2, 3

### *Management Approach*

See Disclosure 402 — Labor Relations Management Approach

407-1

### *Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk.*

We are not aware of any operations or suppliers in which the right to exercise freedom of association and collective bargaining may violate applicable laws or be at significant risk.

## 414 Supplier Social Assessment

103-1, 2, 3

### *Management Approach*

See Disclosure 204 — Supply Chain Management Approach

414-1

### *New suppliers that were screened using social criteria.*

Due to confidentiality constraints, UPS does not report specific numbers or percentages related to screening or impact assessments, as this information is subject to confidentiality constraints of our supplier contracts. In 2017, we were not aware of any significant environmental, social, or labor concerns related to our suppliers.

414-2

### *Negative social impacts in the supply chain and actions taken.*

Due to confidentiality constraints, UPS does not report specific numbers or percentages related to screening or impact assessments, as this information is subject to confidentiality constraints of our supplier contracts. In 2017, we were not aware of any significant environmental, social, or labor concerns related to our suppliers.

## 418 Customer Privacy

103-1, 2, 3

### *Management Approach*

UPS operates more than 119,000 vehicles and one of the world's largest air cargo fleets from more than 2,500 facilities, data centers, and office sites around the world. The safety of our employees and the security of our customers' shipments are top priorities for UPS. As potential threats to digital and physical assets evolve — from cybercrime and terrorism to increased traffic congestion and aging transportation infrastructure — we constantly work to adapt and improve our ability to operate our business effectively and sustainably.

We apply comprehensive risk mitigation techniques globally and across all business segments to help keep our people and customer shipments secure. Confidentiality and customer relationships are critical components of our asset security program, and therefore we cannot disclose specific details about the techniques employed.

Access to relevant, actionable, and real-time threat information is a critical component of protecting our digital and physical assets. To that end, we use threat information from authorities in both the public and private sectors to allow us to take necessary actions to protect our people and our digital and physical assets.

See Sustainability Progress Report, Protecting Global Privacy, page 19.

418-1

### *Substantiated complaints concerning breaches of customer privacy and losses of customer data.*

UPS had no significant breaches of customer privacy or losses of customer data in 2017.

## 419 Socioeconomic Compliance

103-1, 2, 3

### *Management Approach*

See Disclosure 205 — Anti-Corruption Management Approach

419-1

### *Noncompliance with laws and regulations in the social and economic area.*

No significant fines were paid for noncompliance with laws and regulations in 2017.