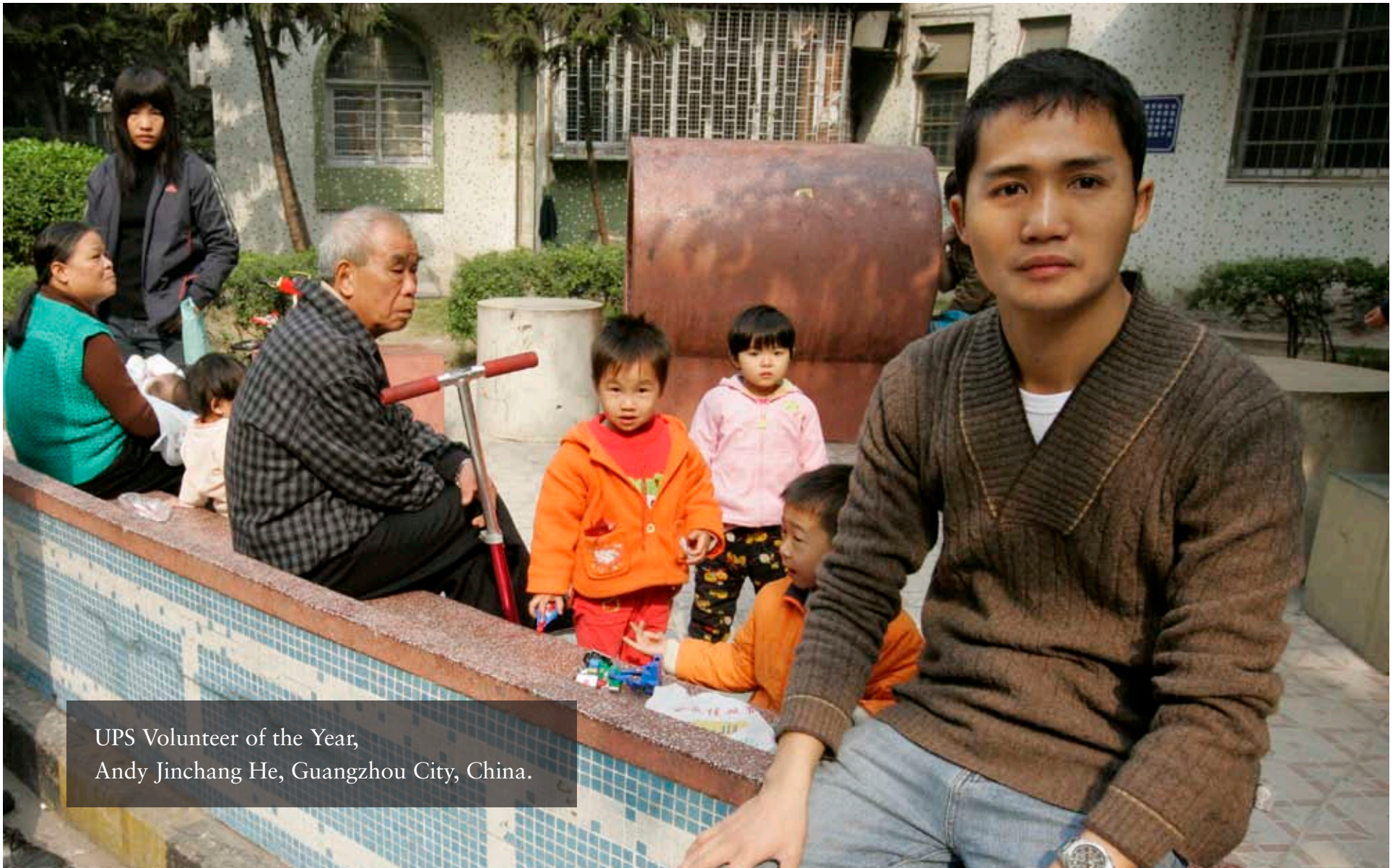




## 2008 UPS Corporate Sustainability Report



UPS Volunteer of the Year,  
Andy Jinchang He, Guangzhou City, China.

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## 1.0 Everyone Matters

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At UPS, Sustainability is Not a Program. It's Personal.

Everyone at UPS is part of an international logistics network that makes global commerce more efficient. The nearly 426,000 people of UPS continually strive to meet customer needs while reducing our environmental impact in more than 200 countries and territories around the world.

Our drivers, pilots, loaders, planners, mechanics, and engineers—and the thousands of people working to support them—know that getting the details right benefits not only our company, but also the world that depends on us.

Our people applied this same approach to social responsibility in 2008, donating nearly US\$53 million to the United Way and more than 1.2 million volunteer hours to give our corporate philanthropy a powerful grass-roots impact.

In 2008 we invested significant management time and resources to focus on the sustainability of our business. We believe these investments will make our network even more efficient and our business even more sustainable. Yet the essence of sustainability at UPS will remain the same.

Everyone matters.

## 15.5 million packages per day. One integrated network.

The people of UPS make world commerce more efficient by consolidating all types of packages from all over the world into a single network—an average of more than 15.5 million packages every business day. This saves time, money, energy, and greenhouse gas emissions for a world that needs to manage them all.



## US\$46.9 million in Foundation giving. One focused strategy.

In 2008, The UPS Foundation realigned its philanthropy strategy with UPS sustainability principles. As a result, the Foundation issued its first major environmental grants, totaling US\$2.7 million for projects ranging from environmental education in the United States to tree planting in Africa, China, and South America.



1 million metric tonnes of CO<sub>2</sub> avoided. One intermodal network.

UPS uses rail transport extensively to gain significant carbon reductions—far more than any other package delivery company in the United States. In 2008, ground-to-rail shifts prevented absolute emissions of 1 million metric tonnes of CO<sub>2</sub> in our U.S. Package Operations.



## US\$61 million. One great cause.

In 2008, more than 249,000 UPS employees and retirees donated nearly US\$53 million to United Way. With an additional US\$8 million donation by The UPS Foundation, UPS again led all companies in financial support for United Way. On top of that, UPS employees and family members donated over 1.2 million volunteer hours to their communities.



## One leader in fuel efficiency and noise compliance. UPS Airlines.

Our pilots fly for UPS Airlines, the ninth largest airline in the world. UPS Airlines is the most modern, fuel-efficient and noise-compliant airline in the package sector (see page 59). UPS has both a history of emissions reductions and a new long-term emissions reduction goal.





## Three kinds of disaster relief. One global system.

UPS is making disaster relief more effective by partnering with the United Nations and with other logistics companies. In 2008, we donated more than US\$3 million in financial aid, provided essential in-kind services, and put trained disaster logistics employees on the ground on two continents.



One set of tools and procedures.  
100,000,000 miles we didn't drive.

The hardware, software, and procedures that make up UPS Package Flow Technology optimize the route for each package before it's loaded into a delivery vehicle. The results include fewer turns, less waiting at lights, and less distance traveled to get the job done. In 2008, we reached our goal of eliminating 100 million miles driven since 2003.



## 40 percent increase in fuel-efficiency. One more innovative vehicle.

In 2008, we began operating the package delivery industry's first hydraulic hybrid vehicle (HHV). It joins our existing fleet of 1,819 alternative fuel/technology vehicles, already the largest private fleet in our industry. We expect the HHV to operate with 40 percent more fuel efficiency than conventional diesel delivery vehicles.



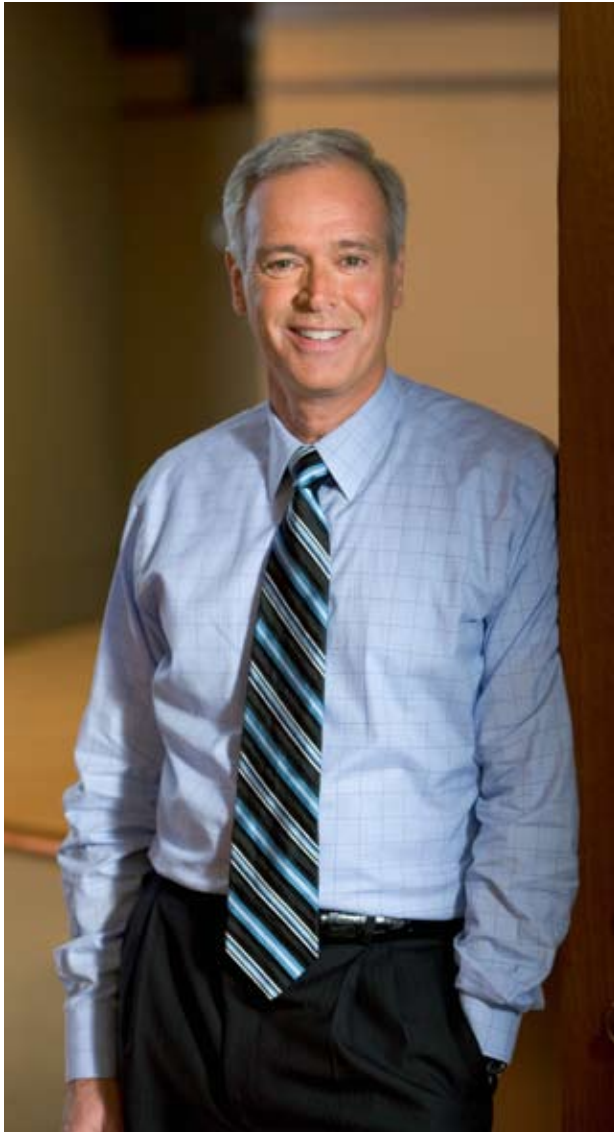
One breakthrough solution.  
1,338 tons of paper eliminated.

In 2008, we began replacing internal paper labels with direct printing on packages. Because UPS is the world's largest delivery company, this single change will ultimately translate into savings of more than 1.3 tons of paper, as well as millions of dollars—every year.



## 2.0 Letter from the Chairman

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D. Scott Davis, Chairman and Chief Executive Officer

At UPS, 2008 was a watershed year for sustainability. We completed work on a set of five-year sustainability goals and evaluated how our company must act to continue to be a sustainable enterprise.

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Much has changed since our first Corporate Sustainability Report, issued in 2003. Then, UPS was largely a U.S. company focused on package delivery. Today, we are more global, more diversified in the products and services we offer, and larger in scale and scope. We are one of the world's largest private employers, with nearly 426,000 employees. Our airline is the ninth largest in the world. We operate in more than 200 countries and territories. And we are a vital part of our customers' global supply chains, moving nearly two percent of the world's GDP. As we have grown, so has our impact.

Consequently, we are more conscious than ever of the responsibility to manage our business wisely. This change in our thinking matches that of our stakeholders, who believe that companies have an obligation to be transparent about their social, economic, and environmental performance. As a result, we dedicated staff to collect and analyze data about our activities for reporting purposes and to help us identify gaps that need to be addressed.

I also have appointed a senior vice president, Bob Stoffel, to be the person accountable for our overall sustainability program.

In this Report, we unveil detailed information about our sustainability strategy, our guiding principles, and our new goals and Key Performance Indicators. Our data is much more global in scope and also encompasses business units beyond our traditional package delivery business. This is particularly apparent in the environmental data offered in this Report. While we have reported on our CO<sub>2</sub> inventory for a number of years, we are now able to report on a global, enterprise-wide basis. Therefore, the inventories for 2008 and 2007 include both direct (Scope 1) and indirect (Scope 2 and 3) emissions—a level of disclosure unusual among our industry peers.

We believe this is important not just for UPS but also for our customers and society. The fact is that our customers rely on the transportation and logistics industry as part of their supply chains. They need accurate information from the industry to calculate

## 2.0 Letter from the Chairman continued

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their own CO<sub>2</sub> inventories and report them to the public. For that reason, we advocate full disclosure (Scope 1, 2 and 3) for the transportation and logistics industry.

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**Even though we operate the industry's most modern, fuel-efficient, noise-compliant airline (see page 59), we are pursuing an aggressive 20 percent additional reduction in emissions.**

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This Report is notable also in that it presents for the first time an emissions reduction goal for UPS Airlines, which is the source of 53 percent of the emissions in our global inventory. Even though we operate the industry's most modern, fuel-efficient, noise-compliant airline (see page 59), we are pursuing an aggressive 20 percent additional reduction in emissions. This builds on our 28 percent reduction already achieved between 1990 and 2005. You can find a detailed description of the goal and our plans to achieve it in section 7. And bear in mind that this is just one environmental initiative among many involving our air and ground fleets, our use

of rail transport, and conservation at our facilities. Our challenge in the coming years is to push ourselves to go beyond efficiency improvements and to address our expanding environmental impact as our business grows.

In the social responsibility area, this Report outlines our new philanthropic strategy and, for the first time, offers statements from outside stakeholders regarding their engagements with UPS to address significant social issues. We also highlight the growing diversity of our workforce and celebrate the achievement of an industry-leading workplace safety goal.

All of these activities build on a long-held belief that our success is dependent on the balance of social, economic and environmental aspects of our business. We hold steadfast to this belief, even in uncertain times. While other companies may step back from sustainability activities in a challenging economy, we are stepping forward because we believe that using our resources wisely and responsibly makes us stronger for the long run. Time has proven that our sustainability efforts give us improved efficiencies, employee pride, customer loyalty, and brand equity. We renew that commitment in this Report.



D. Scott Davis



## 3.0 Sustainability at UPS

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UPS has made major strides in sustainability management, measurement and disclosure capability since the 2007 Corporate Sustainability Report. We summarize those developments here. This section should be read in conjunction with those that focus on 2008 highlights (section 4), governance (section 5), economic prosperity (section 6), environmental stewardship (section 7), and social responsibility (section 8).

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- 3.1 Environmental Protection Through Network Efficiency
  - 3.2 Community Engagement: Global and Grass-Roots
  - 3.3 Major Developments Since Our 2007 Report
  - 3.4 Our Sustainability Principles
  - 3.5 About This Report

## 3.1 Environmental Protection Through Network Efficiency

At this time when new technologies and climate change regulations are in the headlines, the benefits of operational efficiency as a way to reduce carbon emissions often are overlooked. This is especially true for transportation and logistics companies, whose impacts are most directly connected with the movement of goods.

Many of UPS's efforts to improve efficiency are focused on reducing the miles flown/driven; using the most fuel-efficient mode of transportation that can also meet time commitments; and engaging employees to do their part to conserve energy and fuel. We discuss our tactics in section 7.

A surprise to many people is UPS's extensive use of rail—far more than any other package delivery company in the United States. This is important because tractor trailer transportation is four times more energy intensive than rail. In 2008, ground-to-rail shifts prevented absolute emissions of 1 million metric tonnes of CO<sub>2</sub> in our U.S. Package Operations. Whenever possible, we also shift our express packages from air to ground (aircraft are six to eight times more energy intensive than tractor trailers.) In 2008, shifts from ground to rail and air to ground prevented absolute emissions of 3 million metric tonnes of CO<sub>2</sub>.

This flexibility and reliability of our delivery network across multiple modes makes us particularly effective at managing our carbon and efficiency.



We complement these intermodal shift capabilities by operating the most modern, fuel-efficient and noise-compliant airline in the package sector (see page 59) and purchasing aircraft and trucks that are uniquely configured for UPS to load more containers and packages onboard than traditional standardized models. We also utilize technology to minimize the miles driven through precise routing and scheduling and to maximize the numbers of packages on board our vehicles through efficient sorting and loading. (see section 7.4)

Finally, we don't underestimate the value of well-trained employees. Drivers at UPS extend this relentless focus on efficiency into their work every day: controlling speeds and braking to minimize fuel use;

idling and backing up less; and using fewer stops to serve more customers. They follow routes that are meticulously planned to eliminate turns that require waiting for lights and traffic.

Back at the operations centers, UPS managers work hard to make sure that the right vehicles and aircraft are used to leverage fuel-saving efficiencies; mechanics do their part by paying attention to preventative routines that can save fuel as well. And sorting personnel make sure that package car and plane loads are optimized, which lowers carbon intensity.

Multiply all these small steps, and it adds up to time, money, and carbon emissions savings. Everyone contributes to efficiency.



## 3.2 Community Engagement: Global and Grass-Roots



Community Internship Program participant Jeff Watson works with children in an after-school program during his one-month assignment in San Francisco.

UPS is interwoven with society like few other organizations. Our people travel the main streets and alleyways, and visit offices, factories, and homes in more than 200 countries. Our employees see firsthand the challenges and opportunities that exist for the people of the world.

As a consequence, our company and our employees have a century-old legacy of investing directly into the health of the communities where they live and

work. We share our resources through direct financial contributions, volunteerism, leadership on boards and committees, and skills and knowledge transfer. Whenever possible, we contribute our acumen in good management practices, logistics, and transportation to improve the efficiency of communities.

We began these commitments in the United States, but this aspect of our culture is now flourishing outside the United States. For example, in 2008,

our top volunteer service award, the James E. Casey Community Service Award, went to Andy Jinchang He of Guangzhou, China, for his work with disadvantaged children and the elderly (see our cover and section 8, page 93, for an in-depth profile). Andy, a driver, epitomizes the community spirit of UPSers that thrives at the grass-roots and local level, as well as at the corporate level.

In 2008, UPSers and their families collectively volunteered more than 1.2 million hours.

Financially, employees also are generous. Just like the previous seven years, employees and their families donated more to the United Way campaign than any other company—US\$53 million from employees and retirees and an additional US\$8 million donated by The UPS Foundation.

The UPS Foundation in 2008 gave grants to more than 4,800 non-profit agencies totaling US\$46.9 million. About half those grants were determined by employee committees at the local level. Eligibility for local grants includes employee volunteerism and selection by grassroots employee committees.

We believe that community service is one of the special parts of our culture that makes us an Employer of Choice and a respected global corporate citizen.

To learn more about these topics, go to section 8 of this report.

## 3.3 Major Developments Since Our 2007 Report

2008 was a year of significant developments in sustainability at UPS. Many of these developments stem directly from a commitment by our senior management to formalize long-held sustainability values and principles, set strategies for expressing them more systematically, and evaluate their own functions' performance accordingly. This includes increased accountability within their respective management teams for achieving goals and operating programs that affect our sustainability as a business.

With this senior management leadership and support, we have taken a series of strategic steps since our 2007 Corporate Sustainability Report. More information on these steps is provided in later sections of this Report.

**We purchased and are deploying enterprise software to manage our sustainability performance more robustly.** As a logistics company, we understand fully that it's hard to manage something we can't measure. After a thorough assessment of relevant processes and technologies, we invested in industry-leading software capable of helping us capture and analyze our global environmental, social, and economic data. We believe this software will lead to more comprehensive sustainability reporting, especially in the area of our global carbon inventory.

**We captured our global carbon inventory for 2007 and 2008.** With an enterprise information technology

(IT) solution in place, we are now able to view our business as a whole from the point of view of energy use and greenhouse gas emissions. This includes Scope 1, 2 and 3 impacts that take into account our operations, infrastructure, transportation partners and service contractors, and supply chain. We are also able to break down our carbon inventory in different ways, not only by how our business is organized but also by how we source the energy we use, such as from specific quadrants of the public power grid. This data in turn has enabled us to update and upgrade the sustainability performance indicators we report on each year and set more credible goals with more in-depth empirical data.

**We updated and expanded our Key Performance Indicators (KPIs) and set new goals.** A complete list of our new KPIs is provided in section 4 of this Report. As before, the KPIs cover our environmental performance, our safety record, employee satisfaction, and philanthropy. A key difference is that we are now able in many cases to report on a global rather than a U.S. basis, and include our freight and supply chain businesses with our package delivery business.

**We set a long-term, industry-leading, verifiable goal for airline emission reductions.** UPS has been a pioneer in managing its airline to reduce emissions and noise. We welcome statistically valid comparisons with our peers and competitors, because we

believe it will help our entire industry improve its performance. Therefore, we adopted a measurement that is common in the airline industry. Our own emission reduction goal is one of our new KPIs as explained above. The goal is a 20 percent reduction from 2005 to 2020 and represents a 42 percent reduction between 1990 and 2020.

**We initiated third-party validation of our sustainability reporting.** Consistent with our commitment to sustainability and the growing expectations of stakeholders around the world, we have engaged Deloitte & Touche LLP to perform a review of our 2009 UPS Corporate Sustainability Report (which will be released in 2010). The review will be conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and will consider our reporting under the Global Reporting Initiative's G3 Sustainability Framework.

**In 2008, UPS became the first shipping company to join the U.S. Environmental Protection Agency's Climate Leaders® program.** Climate Leaders is an industry/government partnership in which companies develop comprehensive climate change strategies. Partner companies commit to reducing their impact on the global environment by completing a corporate-wide inventory of greenhouse gas emissions, setting aggressive reduction goals and annually reporting their progress to the EPA.

## 3.4 Our Sustainability Principles

### Economic Prosperity

## Strengthen the Enterprise

### Social Responsibility

## Improve the Human Condition

### Environmental Stewardship

## Protect the Environment

At UPS, we recognize sustainability as the business strategies and activities that meet the needs of the enterprise and its stakeholders today while protecting and enhancing the human and natural resources that will be needed in the future. While we have been operating in accordance with this definition for most of our 102-year history, in 2008 we decided to take a more explicit approach.

We therefore identified specific principles for sustainability in our global logistics and transport industry. The principles we identified now guide us in setting business strategies and putting them into action, so that everything we do helps us achieve our aspirations as a sustainable business.

We originally organized our sustainability principles according to the three broad categories that characterize any sustainable enterprise: economic prosperity, social responsibility, and environmental stewardship. It soon became apparent that a number of our principles apply to more than one of these broad categories, and two principles applied to all three. This integrated approach to sustainability strategy is illustrated in the diagram on the following page.

The two principles common to all aspects of our sustainability strategy are to *operate efficiently* and *act responsibly*. Together they drive us to expand our positive effect on the world faster than we expand our environmental impact and help us directly increase our contribution to addressing global climate change.

## 3.4 Our Sustainability Principles continued

### Environmental Stewardship

**Lead by Example:** Provide leadership and innovation in sustainable business practices.

**Conserve Energy:** Reduce consumption of traditional fossil fuels and energy from non-renewable resources.

**Reduce, Reuse, Recycle:** Generate less waste.

**Protect Natural Resources:** Reduce greenhouse gas emissions, water consumption, and pollution.

**Deliver Green Services:** Introduce new green products and services that help customers reduce their carbon footprint.

### Social Responsibility

**Lead by Example:** Provide leadership and innovation in sustainable business practices.

**Embrace Diversity and Human Rights:** Ensure that a globally diverse workforce and supplier base is treated with fairness, respect, and dignity.

**Provide Competitive Compensation:** Offer employees a value proposition that attracts, retains, and rewards.

**Promote Wellness and Safety:** Promote wellness and safety as both organizational and personal values and responsibilities.

**Develop People:** Educate, train, and develop people for safe, productive, rewarding lives.

**Support Communities:** Contribute resources that help enhance the communities we serve and generate goodwill.

### Economic Prosperity

**Grow Business Profitably:** Consistently grow top line revenue and bottom line earnings while providing attractive returns to our shareowners.

**Build the Brand:** Increase global recognition and preference for the UPS brand.

**Provide Value-Added Solutions:** Provide superior value in transportation and distribution services that improve customers' supply chain performance.

**Focus on Customers:** Build loyal one-to-one relationships with customers.

**Support Global Trade:** Facilitate international trade and economic development.

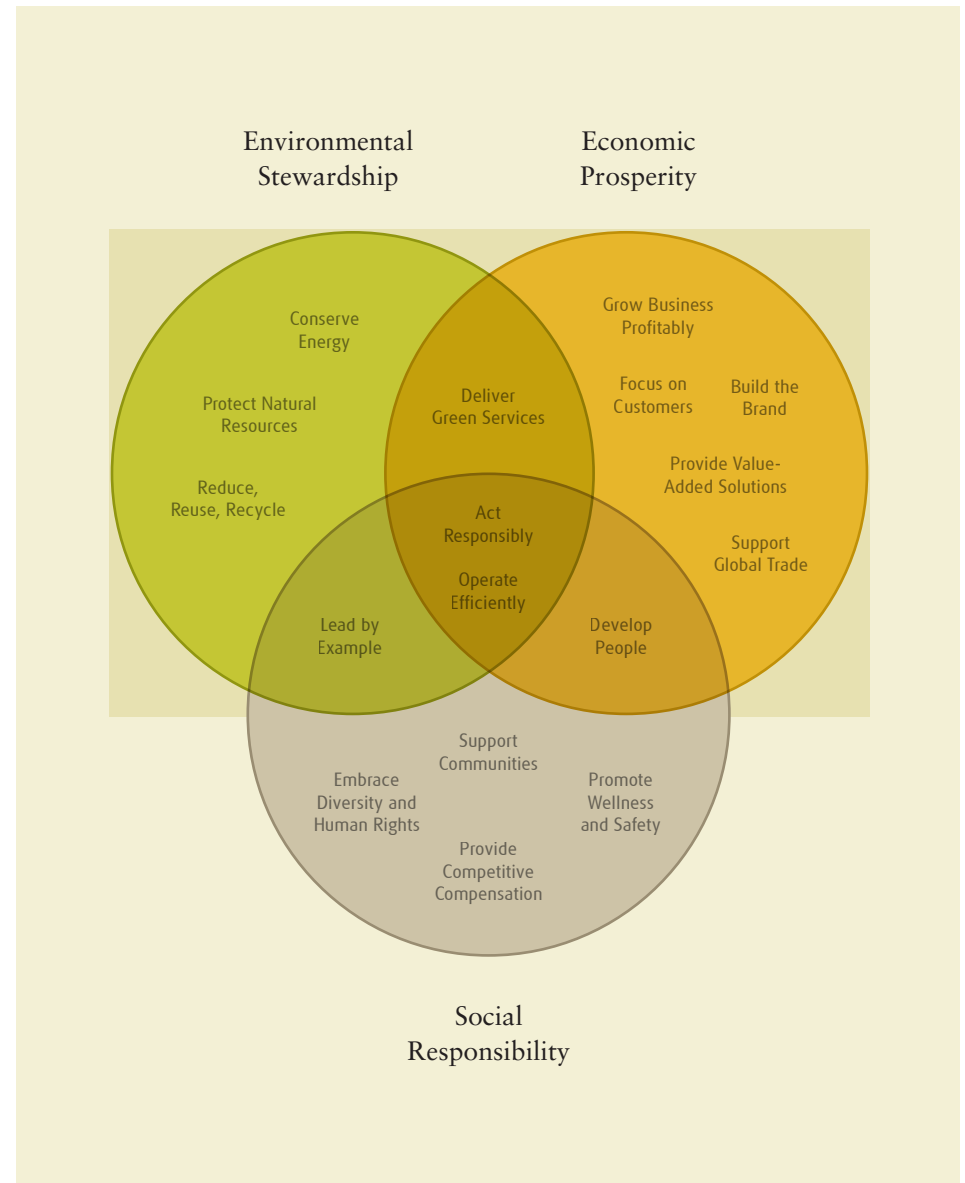
**Deliver Green Services:** Introduce new green products and services that help customers reduce their carbon footprint.

**Develop People:** Educate, train, and develop people for safe, productive, rewarding lives.

### Common to All

**Act Responsibly:** Conduct business with integrity, set realistic goals, be accountable for results, and increase transparency.

**Operate Efficiently:** Eliminate unnecessary work, leverage economies of scale, apply technology, and improve asset utilization.



## 3.5 About This Report

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UPS has issued a Corporate Sustainability Report every year since 2003. For all past reports, please visit our sustainability website at [sustainability.ups.com](http://sustainability.ups.com).

We based this Report on the third generation of Global Reporting Initiative (GRI) guidelines, known as GRI-G3. GRI is an independent institution that provides a standardized framework for sustainability reporting, conceptually similar to the international accounting standards that corporations use for financial reporting. We self-declare this Report to GRI Application Level B. For a complete list of GRI-G3 topics and where to find corresponding information in this Report, please see section 9.

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

UPS  
Attention: Lynnette McIntire  
55 Glenlake Parkway, N.E.  
Atlanta, GA 30328  
[pr@ups.com](mailto:pr@ups.com)



## 4.0 Report Highlights

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The previous section of this Report, “Sustainability at UPS,” describes long-term, strategic changes to our sustainability commitments and programs. This section presents our complete set of Key Performance Indicators for 2008 along with other achievements. You will also find highlights of external recognition we received during the year, and specific objectives we have set for 2009.

- 
- 4.1 Key Performance Indicators
  - 4.2 2008 Achievements
  - 4.3 External Recognition
  - 4.4 2009 Objectives

## 4.1 Key Performance Indicators

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We reached many of our previous KPI goals in 2008, which set the stage for us to address them from a fresh perspective.

UPS documents and evaluates its sustainability in many ways, including both quantitative and qualitative information. At the highest level, we track a number of Key Performance Indicators (KPIs) that capture important developments such as our carbon footprint, employee safety, and philanthropy. From our first Corporate Sustainability Report in 2003 through our 2007 Report, we reported on the same set of KPIs and associated goals. We reached many of our previous KPI goals in 2008, which set the stage for us to address them from a fresh perspective.

As a result, we have revised a number of existing KPIs and added new ones. In some cases, we have expanded the scope of KPIs because we are now able to measure our international operations with accuracy comparable to our U.S. operations. In other cases, we have adjusted a KPI to match internationally accepted reporting standards. Finally, we have also added a new KPI that focuses on our aircraft emissions, which represent the largest, single component of our overall carbon footprint. Overall, we are striving to make our KPIs more comprehensive, transparent, and useful to external audiences.

Each of the KPIs in the table on the following page is presented in context in the relevant section of this Report, with more explanatory detail. We present them here as a snapshot of our overall sustainability performance. Note that we have already set 2011 goals for a number of KPIs in this table. We expect

to set additional goals in 2009. In setting these goals, we are taking into account the views and standards of a wide range of external stakeholders, specifically including those that monitor, rate, and report on our sustainability performance from a third-party perspective. While we will continue to report annually on our performance, we also intend to provide periodic updates. Go to [sustainability.ups.com](http://sustainability.ups.com) for updated information.

## 4.1 Key Performance Indicators continued

SOCIAL KPI DESCRIPTION	SCOPE OF DATA IN 2008	ADDITIONAL DATA DESCRIPTION	RESULTS				GOALS		
			2005	2006	2007	2008	2008	2011	2020
Full-Time Employee Turnover Rate	Global Operations	Percent of all full-time employees that leave our company annually.	8.4%	9.3%	9.6%	<b>9.0%</b>	13%	15%	-----
Employer of Choice Index	Global Operations	A subset of 20 questions from the Employee Opinion Survey that assess employees' opinions of how UPS attracts, retains, and motivates employees.	75%	75%	75%	Did not conduct	-----	70%**	-----
Total Charitable Contributions	Global Operations excluding UPS Freight	Includes The UPS Foundation grants, in-kind services and employee/retiree donations to United Way.	US\$91.6M	US\$96.9M	US\$98.8M	US\$100.9M	-----	US\$103.5M	-----
Automotive Accident Frequency	Global Operations	Total number of vehicular accidents (regardless of severity) per 100,000 driver hours.	16.3	14.5	13.2	<b>13.3</b>	16.0	13.0	-----
DART (Days Away, Restricted or Transferred Duty) Injury Rate per 200,000 Hours	Global Operations	Days away from work, restricted activity, or transferred to another job due to an on-the-job injury. This number represents the number of occurrences per 200,000 hours worked.	9.5*	7.8*	6.8	5.0	6.7	5.2	-----
ENVIRONMENTAL KPI DESCRIPTION	SCOPE OF DATA IN 2008	ADDITIONAL DATA DESCRIPTION	2005	2006	2007	2008	2008	2011	2020
Penalties as a percent of Total Environmental Inspections	U.S. Package Operations, Supply Chain and Freight reported separately	Environment related fines (United States) as a percent of total environment related agency inspections.	2.06%	0.94%	1.14%	0.59%	0.00%	0.00%	-----
Water Consumption—Absolute and Normalized Million cubic meters (Total) Cu meters per 1,000 Packages Cu meters per US\$1,000 of Revenue	U.S. Package Operations, Supply Chain and Freight reported separately	Water consumption (United States) includes all facility related water and water used to wash vehicles—expressed in cubic meters.	5.45 1.62 0.191	5.18 1.48 0.170	5.39 1.54 0.174	4.36 1.28 0.139	----- ----- -----	----- ----- -----	----- ----- -----
Energy Consumption—Normalized Gigajoule per 1,000 Packages Gigajoules per US\$1,000 of Revenue	U.S. Package Operations	Energy consumption (United States) includes stationary sources of energy and mobile sources of energy (gasoline, diesel, jet A, and compressed natural gas).	28.12 3.30	28.13 3.22	28.65 3.23	28.55 3.12	----- -----	----- -----	----- -----
Gallons of Fuel per Ground Package	U.S. Package Operations	Fuel consumption (United States) includes gasoline, diesel, compressed natural gas, fuel for rail services divided by total United States ground and air packages.	0.118	0.120	0.118	0.119	-----	-----	-----
Aircraft Emissions per Payload Capacity	UPS Airlines—Global Operations	Total Emissions in kgs divided by the sum of max structural payload capacity (in thousands of kgs) weighted by annual aircraft cycles.	0.83	0.81	0.80	0.76	0.75	0.74**	-----
Percent of UPS Air Fleet Meeting Stage IV Noise Guidelines	UPS Airlines—Global Operations	Percent of UPS total fleet that meets 2006 noise requirements. Cumulative noise as measured by Effective Perceived Noise decibels.	95.5%	96.1%	96.4%	<b>100%</b>	98.0%	100%	-----
CO <sub>2</sub> Emissions—Normalized Metric tonnes per 1,000 Packages Metric tonnes per US\$100,000 of Revenue	U.S. Package Operations	GHG emissions (United States) calculated using GHG Protocol—Scope 1 and Scope 2. Includes stationary sources of energy (electricity, natural gas, propane, and heating oil) and mobile sources of energy (gasoline, diesel, jet A, compressed natural gas).	2.08 24.43	2.09 23.97	2.13 23.99	2.12 23.18	----- -----	----- -----	----- -----
Number of Reportable Spills	U.S. Package Operations, Supply Chain and Freight reported separately	Spills that meet criteria of being federal or state reportable.	42	33	49	82	0	0	-----
Aviation Gallons Burned per 100 Available Ton Miles	UPS Airlines—Global Operations	Gallons of jet fuel consumed by aircraft type by lane segment divided by (air distance by lane segment X maximum payload in tons) divided by 100.	7.32	7.13	7.22	<b>6.73</b>	7.10	6.90	6.27
CO <sub>2</sub> Pounds per Available Ton Mile	UPS Airlines—Global Operations	Pounds of CO <sub>2</sub> emitted for every ton of capacity transported one nautical mile.	1.54	1.50	1.52	1.42	-----	-----	1.24

Met or exceeded 2008 are bold. \* U.S. Package Operations only. \*\* Revised goal.



## 4.2 2008 Achievements

New  
Accountability  
and Resources for  
Sustainability

New Key  
Performance  
Indicators (KPIs)  
and Goals

Global Scope in  
Carbon Inventory

Safety Goals  
Accomplished

New Strategy  
for Corporate  
Philanthropy

In 2008, we documented our sustainability strategy as a way to communicate its long-term direction to stakeholders. In tandem with that action, UPS also created a sustainability team dedicated to collecting data, monitoring Key Performance Indicators and reporting strategic activity and achievements. The team reports to a member of the UPS Management Committee, Bob Stoffel, elevating the accountability of our entire sustainability program.

2007 marked the final year for a set of five-year sustainability goals. In 2008, we reevaluated all our Key Performance Indicators and set new ones based on a more global framework and reflective of more strenuous evaluations now being conducted by external stakeholders. We expect to continue to add new goals as our data collection and impact analysis of empirical data improves.

Our previous carbon inventory was limited to U.S. Package Operations, which historically has accounted for most of our business. In 2008, the UPS sustainability team began expanding the inventory to encompass our entire global enterprise, as well as our supply chain. In terms of the widely accepted Greenhouse Gas Protocol, this means UPS now reports a global carbon inventory with not only Scope 1 and 2 data, but also with Scope 3—a level of disclosure unusual among our industry peers.

UPS exceeded its 2002-2007 safety goals, which put UPS at the top of the industry with regard to employee safety. Our new safety goals reflect the incremental improvements we believe are still available to us in the years ahead.

The UPS Foundation, the charity arm of UPS, realigned its global strategy to strengthen its impact and better leverage the intellectual and physical assets we hold as a company. The five focus areas are community safety, nonprofit effectiveness, economic and global literacy, environmental sustainability, and diversity.

## 4.3 External Recognition



### DOW JONES SUSTAINABILITY INDEX

In 2008, UPS was selected for the sixth time for the Dow Jones Sustainability Index for North America.



### FORTUNE MOST ADMIRABLE COMPANIES

In *Fortune* magazine's ranking of Most Admired Companies for 2008, UPS was No. 1 in the Delivery and Logistics industry and placed among the top 20 companies overall. In the category of social responsibility among American companies, UPS placed No. 2 in 2008 and No. 1 in the industry in both 2008 and 2009.



### SMARTWAY EXCELLENCE AWARD

The U.S. Environmental Protection Agency (EPA) recognized UPS with its SmartWay Excellence Award for environmental leadership in the U.S. freight industry. UPS was also the first company in the package sector to join the EPA's Climate Leaders Program.



### WBENC AMERICA'S TOP CORPORATION

The Women's Business Enterprise National Council (WBENC) named UPS to its "America's Top Corporations for Women's Business Enterprises." The award honors corporations for world-class supplier diversity programs.

## 4.4 2009 Objectives

Lay the groundwork toward establishing an enterprise-wide goal for carbon emissions reduction.

Develop a comprehensive, verifiable approach for expressing increases in network efficiency in terms of fuel saved and emissions reduced.

Increase the impact of our “green services” commitment.

Adopt and implement a Human Rights Statement.

In 2008, we made substantial investments in technology and resources that make it possible for us to capture our global carbon emissions across all business units and geographies. Our next step was to set an emissions reduction goal for our airline, which represents 53 percent of our total inventory (which we present in this report in section 7.3). The implementation of global sustainability software in 2009 will give us the data structure we need to set accurate, transparent, and achievable enterprise goals in the future.

UPS has achieved incremental increases in network efficiency for generations by optimizing all aspects of our operations throughout our geographic footprint. In 2009, we plan to establish a systematic, quantitative, and verifiable approach to capturing the environmental benefits of this continuous process improvement.

Building on our 2008 commitment to develop and deliver products and services that help our customers reduce their environmental footprint, we plan to bring more environmentally focused offerings to market in 2009 and provide them to more customers.

UPS has always fully supported the human rights principles expressed in the U.N. Global Compact. In 2009, we plan to complete, adopt, and begin implementing a UPS Human Rights Statement as a companion to our UPS Code of Business Conduct and other corporate sustainability policies.



## 5.0 Governance

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UPS provides detailed governance information within the Investor Relations website. We publish this information for the benefit of shareowners, employees, and stakeholders of the company. In this section of the Report, we highlight key aspects of our governance structures, principles, and processes. Also described here are our activities to influence public policy and engage with our stakeholders. We encourage all readers to visit our governance web pages at [investor.shareholder.com/ups](http://investor.shareholder.com/ups) for further information.

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- 5.1 Governance Structure
  - 5.2 Letter from the Senior Sustainability Officer
  - 5.3 Governance Principles and Processes
  - 5.4 Public Policy Engagement
  - 5.5 Stakeholder Engagement

## 5.1 Governance Structure

### BOARD OF DIRECTORS

The top governance body at UPS is the Board of Directors. Eight of the 10 members are independent, as defined below. The Chairman of the Board, D. Scott Davis, is also Chief Executive Officer (CEO) of UPS, which we believe ensures that Board-level directions are appropriately carried out by the UPS Management Committee. The remaining director, Michael L. Eskew, is a non-executive member in his capacity as former Chairman and CEO of UPS. Mr. Davis and Mr. Eskew comprise the Executive Committee of the Board. The other three committees are made up of independent directors.

### INDEPENDENT DIRECTORS

We define an “independent” director as one whom the Board has determined has no material relationship, other than as a director of the company, with the company or any of its consolidated subsidiaries, either directly, or as a partner, shareholder, or officer of an organization that has a relationship with the company. In addition, when determining whether a director is independent, the Board applies additional categorical standards that are set forth at [investor.shareholder.com/ups](http://investor.shareholder.com/ups). The independent directors meet regularly as a group, without employee directors present. We believe that having a strong majority of independent directors ensures avoidance of conflict of interest on the part of the Board of Directors. In addition, our corporate

compliance officer reports directly to the Audit Committee, which met nine times in 2008 and is composed entirely of independent directors.

### COMPENSATION AND PERFORMANCE

Compensation for the CEO is based on performance in meeting objectives established by the Compensation Committee of the Board of Directors. The Committee also reviews and approves compensation for other executive officers. The charter for the Committee can be found at [investor.shareholder.com/ups](http://investor.shareholder.com/ups).

### COMMUNICATING WITH THE BOARD

We encourage shareowners to communicate directly with our Board of Directors, with our independent directors as a group, or with the presiding director of our independent directors. We publish the relevant address here and on our governance website:

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

### MANAGEMENT COMMITTEE

Supporting the Board of Directors is the UPS Management Committee, comprising 12 senior managers of the company. The only person sitting on both the Board and the Management Committee is CEO D. Scott Davis. The Management Committee is a vital component of the UPS governance structure, because it includes senior managers from all major operational and administrative groups within UPS.

The Management Committee includes Bob Stoffel, Senior Vice President for Supply Chain, Strategy, Engineering, and Sustainability. Mr. Stoffel holds this portfolio of responsibilities in common because they all have a substantial and inter-related impact on our economic prosperity, environmental stewardship, and social responsibility.

### Board Committees (Current in 2009)

**Executive:** D. Scott Davis (Chair), Michael L. Eskew

**Nominating and Corporate Governance:**  
F. Duane Ackerman (Chair), Stuart E. Eizenstat,  
William R. Johnson, Ann M. Livermore

**Compensation:** John W. Thompson (chair),  
F. Duane Ackerman, Stuart E. Eizenstat

**Audit:** Carol B. Tomé (Chair), Michael J. Burns,  
Rudy Markham

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

## 5.2 Letter from the Senior Sustainability Officer



### Senior Vice President Appointed To Head Sustainability Program

Photo: Bob Stoffel, Senior Vice President of Supply Chain, Strategy, Engineering, and Sustainability

In 2008, UPS formalized its senior management commitment to sustainability by creating a Steering Committee that includes six members of the Management Committee—the top layer of senior management in our company. The Steering Committee also includes 11 senior managers representing the functional areas of our business.

All members are responsible for extending greater management accountability for sustainability programs into the departments they lead. The group also determines corporate-wide strategy, enterprise goals, Key Performance Indicators, and issues that need to be addressed with additional resources. A larger working committee supports us to ensure that sustainability activities are closely managed and reported.

In 2008, UPS added dedicated resources to manage sustainability reporting and programs. We felt this was necessary because of the growing importance of measurable performance in sustainability to our customers and other stakeholders. We know that our stakeholders want us to present our impact, as well as our actions, in a quantitative way.

In addition to staff, we also invested in enterprise software that enables us to analyze our global

environmental data more completely and efficiently for better decision-making and reporting. In previous reports, we were challenged with collecting data from our international operations and our newest business units, because they did not have the same data gathering and reporting capabilities as our well-established U.S. Package Operations. The new software and our trained staff will make it possible to extend the scope of data gathering and analysis across our entire enterprise.

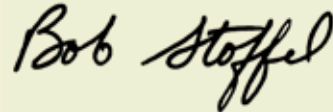
This is a powerful, positive development for UPS, and you can already see evidence of it in this year's Report. For example, we now report a truly global carbon inventory. In this Report we also announce a new goal for reducing our enterprise-wide airline emissions, which generate 53 percent of our carbon footprint. You can read about these advances in the Environmental Stewardship section of the Report.

## 5.2 Letter from the Senior Sustainability Officer continued

We also have been more actively reaching out to new groups of stakeholders to learn their expectations and ideas about how we can improve our performance. We know that these constituencies are often the best sources of good ideas for strengthening our sustainability as a thriving business.

As examples: from customers, we are finding ways to offer new products and services that meet their own sustainability reporting and environmental needs; from NGOs (non-governmental organizations) and assessors we are learning how to enhance our credibility in reporting and how to hone our programs to meet their expectations; from employees we are discovering new ways we can make our operations more efficient and environmentally friendly, and also how to give them more flexibility to balance their personal and professional needs.

I look forward to sharing our progress on the sustainability goals presented in this Report. You can look to our website at [sustainability.ups.com](http://sustainability.ups.com) for regular updates on our new initiatives and achievements throughout the year.

A handwritten signature in black ink that reads "Bob Stoffel". The signature is written in a cursive, flowing style.

Bob Stoffel

## 5.3 Governance Principles and Processes

UPS founder Jim Casey established principles and values that are part of the fabric of our business. Our governance principles and values are summarized in the boxes on this and the following page. More information is online at [investor.shareholder.com/ups](http://investor.shareholder.com/ups). On the following pages you will find information regarding significant governance processes, including our Code of Business Conduct and global compliance assessments.

### UPS Governance Principles

#### **SUSTAINABILITY**

We operate our business with a balance among economic prosperity, social responsibility, and environmental stewardship. We believe our economic well-being benefits society by enabling good wages for our workers, tax receipts for our communities, and philanthropic activity by our employees and our Foundation. We encourage community involvement and volunteerism by our employees. We employ solutions that minimize the impact of our business on the environment.

#### **SHAREOWNERS**

We sustain a financially strong company. We manage assets wisely, and emphasize the long term in strategy and decision-making. We seek to provide long-term competitive returns to our shareowners.

#### **OWNERSHIP PHILOSOPHY**

We encourage ownership of our company by our employees. Having a personal stake in the company causes employees to think like owners and work like partners. Employee ownership creates a sense of teamwork and strengthens and preserves our values. It is our goal to have employees share in the success of the company through various plans to reward and encourage participation as shareowners.

#### **EMPLOYEES**

We respect and value the individual. We encourage a spirit of teamwork and promote from within. We help people to develop themselves and place great value on diversity.

#### **CUSTOMERS**

We believe that enabling our customers to succeed and grow is central to the success of UPS. We treat each customer as our only customer, we never promise more than we can deliver, and we deliver on every promise.



## 5.3 Governance Principles and Processes continued

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### Governance Processes

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#### **CODE OF BUSINESS CONDUCT**

Our Code of Business Conduct provides an overview of our legal and ethical responsibilities as employees. We update the Code as necessary to address new and relevant issues that may affect our business. The Code also provides a mechanism for its own revision when suggested changes arise. In 2009, for example, we intend to update the Code to include a statement supporting the U.N. Global Compact on Human Rights. In 2007 and 2008 we trained 42,233 of our management employees on our Business Conduct and Compliance Program. The complete Code of Business Conduct is online at [investor.shareholder.com/ups](http://investor.shareholder.com/ups).

#### **COMPLIANCE MEASUREMENTS**

We internally monitor the effectiveness of our conduct and compliance programs in a number of ways, including an annual Business Ethics Questionnaire sent to management employees; an annual Report and Certification of our compliance activities; and Regulatory Compliance Reviews.

#### **EMPLOYEE CONCERNS**

We encourage employees to raise questions, voice concerns, or report potential violations of our legal or ethical obligations. We maintain the confidentiality of the question, concern, or report. We also provide employees access to a “Help Line” so they can voice concerns anonymously. The Help Line is available 24 hours a day and seven days a week, interpreters are available, and calls are taken without caller ID, recorders, or other devices that can identify or trace the caller’s number. The Help Line is available toll-free enterprise-wide. We take each Help Line call seriously, and address the concerns raised.

## 5.4 Public Policy Engagement

UPS is the first and only global shipping company to join the Climate Leaders<sup>®</sup> program of the U.S. Environmental Protection Agency (EPA).



UPS is active in a number of organizations and public forums for discussion of public policy issues. Here we highlight three subject areas where we are involved in public policy, particularly as it relates to the logistics industry: Climate Change, Global Trade and Fair Competition, and Community Service.

### CLIMATE CHANGE

We participate actively in organizations influential in environmental policy issues, such as the World Resource Institute (WRI). UPS employees serve on a number of technical committees for WRI that develop standards and guidance, and UPS is a founding member of the WRI Climate Southeast working group. UPS also contributed expertise as part of the Consultative Group for a January 2009 World Economic Forum publication entitled, "Supply Chain Decarbonization: The Role of Logistics and Transport in Reducing Supply Chain Carbon Emissions."

UPS also is active in the U.S. Environmental Protection Agency's (EPA's) various environmental stewardship programs, as a way to bring industry insight to the agency for policy consideration and also as a way to share best practices with companies.

UPS is the first and only global shipping company to join the Climate Leaders<sup>®</sup> program of the EPA. UPS was a charter partner in EPA's SmartWay<sup>SM</sup> program, which is reducing the fuel consumption and emissions impact of the U.S. freight industry. We are a

participant in the SmartWay program at the leadership level, with 100 percent of the UPS-owned vehicle fleet in the program. We also helped the EPA test the initial SmartWay model, and contributed important fuel-saving strategies. We participate in five other EPA voluntary programs as well, seeking to change U.S. climate change policy in constructive ways.

As a climate leader in our industry, we invest significant time and energy in bringing elected officials and policymakers to our operations centers so they can learn firsthand how increasing the efficiency of global logistics and transport helps the world economy operate with a more sustainable resource footprint. We also publicize innovations, such as our purchase and deployment of the industry's first hydraulic hybrid vehicle (HHV) in 2008, that can help create greater awareness of climate change and influence changes in public policy.

## 5.4 Public Policy Engagement continued

### GLOBAL TRADE AND FAIR COMPETITION

Along with facing tough competition and the challenges of entering new markets, UPS must continually adapt to new laws and regulations. Legislative and regulatory changes can limit our opportunities for growth, and government policies and legislation often have a deep impact on how we do business. We present our views on these topics to a wide range of policymakers and stakeholder groups, with particular emphasis on the importance of free enterprise, fair competition, and global trade. Our venues for making this case include active participation in trade associations, interactions with public officials, and support for regulatory and legislative action that we believe is beneficial to UPS, our markets, and the communities we serve. Our non-partisan political action committee, UPSPAC, enables our U.S. employees to aggregate and channel their political donations to political candidates who support such action. In 2008, UPSPAC donated approximately US\$2.5 million in the United States to candidates at the federal, state, and local levels.

### “Economic Crisis Cannot Justify Trade Restrictions”

The following is an excerpt from a speech by UPS Chairman and CEO D. Scott Davis as part of the CEO Leadership Series hosted by the U.S. Chamber of Commerce in Washington, D.C.

UPS has an obvious interest in trade. We are the global conveyor belt for commerce.

As we speak today, our network of airplanes and trucks is moving about six percent of U.S. GDP and two percent of the world’s GDP. We see what free trade means to our customers.

We see what growth can mean to employment, to the tax base, and to the strength of a community.

We see how access to global markets can move a new business from a backyard garage, to a local warehouse, to a global network.

Our own company started out 102 years ago as a bicycle delivery service in a 6-foot-wide office under a sidewalk in Seattle. Many of you work for companies that have similar stories.

Our deep and extensive experience with global commerce makes us unrelenting, unyielding believers

that the future of the global economy depends upon a rational and open system of free trade.

No argument against free trade can justify the negative impact to economic and human development that we would face without free trade. But it’s equally clear that a new world of global commerce and competition demands adjustment. That adjustment isn’t easy in the best of times, let alone in a time of such widespread economic pain. But in tough times, new opportunities and new entrepreneurs emerge.

## 5.4 Public Policy Engagement continued



### Engaging Policymakers on Sustainability

Photo: Lisa Hamilton, Vice President of Public Relations

UPS welcomes opportunities to speak directly to policymakers regarding social, environmental, and economic issues that affect our communities, our industry, and our company. We bring to these engagements our practical business expertise as well as our corporate commitment to sustainability in its many forms. UPS employees have appeared before members of the U.S. Congress in Washington, D.C., at the state level across the United States, and in countless global forums.

In February of 2009, Lisa Hamilton of UPS testified before a full hearing of the U.S. House of Representatives Committee on Education and Labor, on the topic of “Renewing America through National Service and Volunteerism.” Hamilton, currently Vice President of Public Relations for UPS, was speaking then as President of The UPS Foundation. Under her leadership in 2008, the Foundation’s “Neighbor to Neighbor” program supported UPS employees and their families in donating more than 1.2 million hours of volunteer service.

In her remarks to the Committee, Hamilton noted that UPS employees have a “unique vantage point” on community service. “Each day, UPS people go to doorsteps in every community across our nation. We see the hungry, the homeless, and the hopeless.

We see the ills impacting our society—whether it’s the need for aid in recovery from a natural disaster or the need for revitalization in a struggling neighborhood—and we want to make a difference. Our employees drive our volunteer engagement strategy. They play a pivotal role in identifying the needs of the community. As a result, approximately half of The UPS Foundation’s grants are tied to our employees’ volunteer efforts.”

More information on The UPS Foundation and volunteerism at UPS is provided in section 8 of this Report.

## 5.5 Stakeholder Engagement

UPS believes stakeholder engagement is consistent with good corporate governance and should be an integrated business practice.

UPS believes stakeholder engagement is consistent with good corporate governance and should be an integrated business practice.

We have regular dialogue with employees, customers, investors, community leaders, and public officials through both formal and informal channels. Together, we seek to balance social, economic, and environmental considerations for the public good.

UPS has been engaged with many external groups for decades. We believe that long-time commitment, personal involvement, and focused action prove to be the best ways to build trust and connections with external and internal groups. We offer not only an attentive ear, but also management and logistics expertise. Some of those relationships are featured in this Report, such as our engagements with the World Economic Forum, Earth Day Network, and World Association of Girl Guides and Girl Scouts.

We also welcome criticism and diverse points of view. In fact, one of our guiding principles is to be “constructively dissatisfied” with our own performance as a company. This in turn compels us to listen carefully to others, who may have better ideas than our own.

For example, we:

- Participate in assessments and surveys by non-government organization and research firms as a way to learn about how we compare to our competitors and other sustainability leaders.

- Actively seek and gather feedback from our employees through the use of internal surveys, focus groups and confidential hotlines.
- Engage respectfully in open dialogue with our unions to answer their concerns.
- Solicit insights from nonprofits, academics, and community leaders on a variety of emerging issues or criticisms.
- Review performance scorecards, reporting standards and other benchmarking tools, such as awards submissions, to identify areas where we can improve.
- Respond directly to inquiries and comments from groups critical of our business practices.
- Catalogue, review and address customer comments about service issues or concerns about UPS’s actions.
- Track individual customer concerns to determine if they are trends or broad-based issues.
- Hold benchmarking sessions with other companies to determine best practices that can be implemented at UPS.
- Require managers to respond to critical comments that emerge from employees, both personally and collectively; according to our policy book, “We Respect Each Employee’s Point of View.”
- Communicate transparently, consistently and frequently to shareholders.

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



## 6.0 Economic Prosperity

UPS achieves and sustains economic prosperity through the combined strengths of a world-leading logistics network, state-of-the-art technology, and nearly 426,000 people in more than 200 countries and territories. The service that generates our revenue and income also facilitates global commerce in a more efficient and responsible manner, because it aggregates millions of shipments into one delivery network. Our operating efficiency also supports our environmental stewardship and corporate citizenship. In this section of the Report we present an overview of UPS and its economic impact, highlight our principles related to economic sustainability, and report on relevant activities since our 2007 Report.

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6.1	UPS Overview	6.6	Focus on Customers
6.2	Economic Impact	6.7	Provide Value-Added Solutions
6.3	Grow Business Profitably Through Technology	6.8	Develop People
6.4	Support Global Trade		
6.5	Build the Brand		

## 6.1 UPS Overview

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### GLOBAL LEADERSHIP

UPS is the world's largest package delivery and logistics company, serving nearly eight million customers daily. Over the past two decades, we have built a massive international transportation network, interconnected by one of the largest information technology (IT) infrastructures in commercial history. We have systematically leveraged these assets to expand our portfolio of services for customers, including freight transportation and supply chain offerings.

### INTEGRATED NETWORK

One of the hallmarks of our management approach is to operate an integrated network worldwide. Unlike other companies of comparable size in the package sector, we use the same network for all packages, whether they are domestic, international, commercial, or residential. All modes of transport—package cars, delivery vehicles, trucks, planes, trains and ships—fit seamlessly together in our physical network, all synchronized by our IT network infrastructure. This business model eliminates redundancies and enables us to use all assets more efficiently while serving customers more reliably. It also reduces our environmental impact on a unit volume basis, offers opportunities to employees, and provides positive financial performance.

### POLICY, RESPONSIBILITY, AND MANAGEMENT

The UPS Charter for how we run our business has been in place for 10 years and is available online at [investor.shareholder.com/ups](http://investor.shareholder.com/ups). The Management Committee responsible for executing the charter is profiled online at [pressroom.ups.com](http://pressroom.ups.com). Ten of the 12 members of the UPS Management Committee have worked for UPS their entire careers, which ensures that our top managers are thoroughly familiar with the operating realities of our business at every level.

### ECONOMIC RISKS AND OPPORTUNITIES

Because our business is synchronizing commerce for the global economy, our economic prosperity is tightly linked to the world's macroeconomic health. During 2008, the global economy struggled with tight credit, falling asset values, and contraction in demand in many industries. These factors affected our markets in the second half of 2008; their impact intensified significantly in the opening quarter of 2009. We have responded to these macroeconomic risks in a systematic fashion throughout our business, including adjustments in hiring, compensation, network logistics, and expansion plans. With more than 100 years in business, we have significant management experience in dealing with economic cycles, including the importance of planning ahead for the opportunities we will encounter when the business cycle turns positive.

The cost and availability of fuel for our vehicle and aircraft fleets are inherent risk factors, because our business involves moving goods around the world using package cars, delivery vehicles, trucks, and planes. Our primary long-term strategy for managing these risks is to reduce our dependence on fossil fuels. We achieve this with a range of techniques and technologies that enable us to reduce the miles we drive and fly, and by continuing to increase the number of alternative fuel/technology vehicles in our ground fleet. More detailed discussions of fuel efficiency and other environmental stewardship activities are provided later in this section and in section 7 of this Report, respectively. Our Climate Change Statement can be found on page 51.

## 6.1 UPS Overview continued

Data as of December 2008	
<b>GENERAL</b>	
Founded in Seattle, Wash.	August 28, 1907
Headquarters	Atlanta, Ga.
Worldwide Web Address	ups.com
Chairman and CEO	D. Scott Davis
2008 Revenue	US\$51.5 billion
Employees	425,900 (353,500 United States; 72,400 International)
<b>PACKAGE OPERATIONS</b>	
2008 Revenue	US\$42.6 billion
2008 Delivery Volume	3.9 billion packages and documents
Daily Delivery Volume	15.5 million packages and documents
Daily U.S. Air Volume	2.1 million packages and documents
Daily International Volume	2.0 million packages and documents
Service Area	More than 200 countries and territories; every address in North America and Europe
Customers	7.9 million daily (1.8 million pick-up, 6.1 million delivery)
UPS.com	Average 18.5 million daily online tracking requests
Retail access	4,711 The UPS Store®; 1,323 Mail Boxes Etc.®; 1,000 UPS Customer Centers; 16,000 Authorized outlets; 40,000 UPS Drop Boxes
Operating facilities	1,801
Delivery fleet	99,869 package cars, vans, tractors, motorcycles, including 1,819 alternative fuel/technology vehicles
UPS jet aircraft	262; 9th largest airline in the world
Chartered aircraft	309
Daily Flight segments	Domestic: 959; International: 763
Airports served	Domestic: 400; International: 435
Air Hubs – United States	Louisville, Ky. (Main Global Air Hub); Philadelphia, Pa.; Dallas, Texas; Ontario, Calif.; Rockford, Ill.; Columbia, S.C.; Hartford, Conn.
– Europe	Cologne/Bonn, Germany
– Asia/Pacific	Shanghai; Taipei, Taiwan; Pampanga, Philippines; Hong Kong
– Latin America and Caribbean	Miami, Fla. USA
– Canada	Hamilton, Ontario



## 6.1 UPS Overview continued

### SUPPLY CHAIN AND FREIGHT

2008 Net Revenue US\$8.9 billion

### UPS SUPPLY CHAIN SOLUTIONS

Key Services Logistics and distribution; transportation and freight (air, sea, ground, rail); freight forwarding; international trade management; and customs brokerage

Specialty Services Service parts logistics; technical repair and configuration; supply chain design and planning, returns management

Facilities 933 facilities in more than 120 countries: 35 million sq. ft.

### UPS FREIGHT

Key Services Leading provider of less-than-truckload and truckload services coast to coast

Delivery Fleet 6,317 tractors; 21,246 trailers

Facilities 215+ service centers

## 6.2 Economic Impact

### JOBS AND COMPENSATION

As one of the world's largest private employers, UPS today has a global workforce of nearly 426,000 people, more than 72,000 of whom are located outside the United States. In 2008, UPS paid its full-time and part-time employees US\$26 billion in wages and benefits.

Our global compensation and benefit programs vary based upon the competitive market, local regulation, and our desire to create programs that are sustainable. Our investment in UPS employees generally includes competitive wages and salaries, health care, savings plans and incentive programs. Good jobs and competitive compensation packages help make our employees a positive economic force throughout the world.

### DIVIDENDS

In 2008, UPS distributed US\$2.22 billion in dividends to UPS shareholders, including approximately 134,000 UPS employees globally. Shareholders received five dividend payments due to a payment schedule change.

### TAXES

The taxes that UPS pays to local and national governments around the world help fund schools, community infrastructure, and services. In 2008, UPS paid more than US\$3.4 billion in taxes worldwide.

### SUPPORT FOR SMALL AND DIVERSE BUSINESSES

UPS has an indirect economic impact on its markets

by providing local businesses with three vital resources: procurement contracts, finance, and logistics. In areas where money and transport are not readily available to entrepreneurs, providing these opportunities makes UPS part of the local commercial infrastructure. This is particularly important for small and diverse businesses, which make up a majority of the world's importers and exporters. UPS spent more than US\$1.3 billion with small and diverse businesses in 2008. This was an increase of US\$65.9 million over 2007. The UPS Store® (with more than 4,700 locations around the world) is a franchise opportunity for small business entrepreneurs.

Our financing subsidiary, UPS Capital®, helps small and diverse businesses finance trade and get access to government-backed loan programs. In 2008, UPS was again one of the top 15 lenders by dollar volume for the U.S. Small Business Administration. The UPS Foundation has pledged more than US\$1 million to microlending organizations operating around the world. In addition, our 26,000 points of retail presence around the world provide small and diverse businesses with local, one-stop access to our global network, including the products, services, and tools they need. In 2008, we opened retail stores in Beijing and Shanghai. Our overall goal is to make it easier for small and diverse businesses everywhere to participate in the global economy.

### Financial Highlights

(in millions except for per-share amounts)

	2008	2007
Revenue	US\$51,486	US\$49,692
Operating expenses	46,104	49,114
Net income	3,003	382
Adjusted net income*	3,578	4,369
Diluted earnings per share	2.94	0.36
Adjusted diluted earnings per share*	3.50	4.11
Dividends declared per share	1.80	1.80
Assets	31,879	39,042
Long-term debt	7,797	7,506
Shareowners' equity	6,780	12,183
Capital expenditures	2,636	2,820
Cash and investments	1,049	2,604

\* For an explanation of adjustments affecting results, see the footnote on page 5 of the UPS 2008 Annual Report at [investor.shareholder.com/ups](http://investor.shareholder.com/ups)

## 6.2 Economic Impact continued

Stakeholder: Supplier Diversity

### Gerald Toledo

Founder and CEO, Global Industrial Components, Inc.



In my experience, minority suppliers want what all suppliers want: partnerships with great customers who value what we offer. This is particularly true for companies like mine, GIC, which have a proven track record. So when UPS and GIC both participated in a capacity-building program put on by the National Minority Supplier Development Council in 2007, it did not take long before we were in conversation.

Our first opportunity was to provide an automotive part that UPS needed. We had to produce it profitably at a lower cost than UPS was already paying—and we had to deliver a prototype in two weeks. We succeeded, and that became our first order with UPS.

We are now working on a much larger, value-added solution for UPS, and still enjoying the challenge. Their procurement team is relentless on costs, but also honest, fair, and respectful at all times. It's the same with the engineers. They don't tell us how to do things, they just tell us the problem and let us solve it. They also keep their agreements, to the point that GIC is comfortable investing in new capabilities aimed at serving UPS today and in the future.

This is particularly important to us as a growing company, and I believe most minority suppliers would agree with me: We want an opportunity to show what we can do tomorrow, not just repeat what we have done in the past.

UPS: Supplier Diversity

### David Hunt

Global Procurement Manager, UPS



Valuing supplier diversity comes from the top down at UPS. Our senior executives are committed and involved, and we have dedicated staff in corporate management and in the field. As a procurement manager, I am expected to be on the lookout for great suppliers that are qualified to work with UPS. Our markets are growing more diverse, so supplier diversity is a key to our future growth.

My focus is providing parts for our vehicle fleet, which is one of the largest in the world. Because we've been doing this for decades, we have particular requirements that most suppliers can't meet off the shelf. So one of the things we look for in a supplier is the ability to listen and learn. It's unlikely that they have dealt with a customer like UPS, particularly with regard to how much information we have and how readily available it is when we are planning or negotiating. So if they can listen, learn, and work with us as partners, we have opportunities for them.

GIC is a good example of how this works. They listened to our challenges regarding a strategic, fleet-wide technology project. They understood how rigorously we manage major projects. Then they showed us capabilities we didn't know they had, and we realized they could handle some of the project logistics better than we could ourselves. That doesn't happen every day at UPS.

## 6.3 Grow Business Profitably Through Technology

UPS has prospered for more than a century. In this decade, our annual revenues have risen from less than US\$30 billion to more than US\$50 billion.

One of the keys to our profitable growth has been investing in information technology to make our business more efficient. UPS operates one of the largest, most comprehensive IT networks on earth. In 2008, we spent US\$1 billion on technology. This includes research and development as well as maintenance and software/hardware purchases. We take this approach so that when our markets are growing again, we can increase our overall resource-efficiency and profitability along with volume and revenue growth.

Like many companies, we are integrating IT into every aspect of our operations. One of our primary strategies for reducing fuel consumption and emissions, for example, is to use IT for designing more efficient delivery and pickup routes. As our routing techniques have grown more sophisticated, we have gathered, analyzed, and applied more types of information in more ways throughout our network. We are applying IT to safety in a similar way, by gathering and analyzing information that helps our employees avoid the circumstances that lead to accidents.

Given global economic conditions in 2008, we adjusted our IT investments to accelerate certain projects with potential short-term benefits. One focus was international shipping, which remains a primary growth area for UPS. For example, 2008 was the first

year in which UPS Airlines flew more international miles than domestic miles. So we expedited support for our international express customers, such as adding more foreign-language features to our customer websites and creating a live-chat capability for U.S. customers seeking assistance with overseas shipments. We also have improved our international internal workforce system for greater operational efficiency.

Further in the background, we improved our internal software-development processes and worked with vendors to provide us with more cost-effective IT software solutions. This is particularly important to our fast-growing use of telematics—the use of technology to gather data from delivery vehicles to improve efficiency—and global positioning satellite data to optimize the efficiency of delivery routes around the world. We also brought to market the results of a major vendor partnership with Hewlett Packard for fast, mobile, paperless printing of internal shipping labels. More information on telematics and paperless printing is available in sections 7.4 and 7.5. These are just a few examples of how we continue to increase the efficiency and reduce the costs of running our business, so that we can maintain our profitable growth for the long term.



## 6.4 Support Global Trade

Every day, millions of business transactions take place around the world. In today's economy, everything involved in these transactions—the goods, the information, and the funds—must flow in a synchronized fashion. UPS is one of the few companies in the world that has the infrastructure, the scale, the financial strength, and the expertise to enable that synchronization. We also help customers succeed by sharing our knowledge and best practices. Benefits include faster order fulfillment, lower shipping costs, and better control of inventories. These in turn enable global commerce to operate more efficiently and effectively for everyone.



## 6.5 Build the Brand

Building a recognized, respected brand is important to every company. For UPS, the challenge in recent years has been to take one of the best-known, most respected brands in the United States and extend it throughout the world. In *Fortune* magazine's ranking of Most Admired Companies for 2008, UPS was No. 1 in the Delivery and Logistics industry and placed among the top 20 companies overall. UPS also was No. 2 among all 100 companies for social responsibility. Additional awards and recognition are listed at [pressroom.ups.com](http://pressroom.ups.com).

We have always believed that the best way to build our brand is through reliable performance that wins and maintains customer trust. This includes not only the logistics and transport services we provide, but also the way we provide them. The can-do, customer-focused attitude of UPS drivers is literally the face of our brand, which is why we invest a substantial portion of our revenues each year to compensate, educate, and train our people. More information on employee compensation and training is provided in section 8 of this Report.



## 6.6 Focus on Customers

UPS offers customers capabilities that extend far beyond those of a traditional package delivery company. Through Web-based solutions and strategic alliances, UPS gives customers full visibility of goods moving end-to-end through the supply chain. UPS helps both Internet-based and brick-and-mortar companies solve business problems, improve customer service, and streamline and synchronize their supply chains. In addition to our countless face-to-face interactions with customers, we regularly conduct focus groups and customer surveys to learn what our customers need from us and how to provide it to them.

In 2008, we continued to focus attention on small and diverse businesses and international customers that are providing a significant percentage of new shipping volume for UPS. We also developed enhancements to the e-commerce solutions used by online merchants to make international shipping and item returns easier for their customers. These enhancements include forms for international shipping, electronic invoicing, and automated processes to help customers return purchased goods. UPS Capital®, our financing arm, supported small business owners by offering discounts on loans qualifying under the U.S. Small Business Administration (SBA) lending program. UPS Capital also operates in other countries.



## 6.7 Provide Value-Added Solutions

UPS is often the strongest third-party link between a company and its customers. We therefore continue to develop and implement value-added services that help our customers provide better service to their customers.

New value-added offerings in 2008 include services for handling and managing the shipment of temperature-sensitive medical items, including around-the-clock intervention when necessary to utilize refrigeration or replenish dry ice. The new suite of time- and temperature-sensitive capabilities has been developed for the pharmaceutical, biotech and medical device industries. Targeted particularly to global clinical trials, UPS is facilitating the quick movement of test medicines, specimens, supplies, testing kits and accompanying documents to locations worldwide.





## 6.7 Provide Value-Added Solutions continued



### Smartphone Experts: Wired For Success

Diana Kingree, Vice President of Smartphone Experts, surrounded by bins of smartphone accessories.

Most people store gardening tools in their backyard sheds. Diana Kingree housed a budding online retail business called Smartphone Experts. The 150-square-foot shed at her Florida home held containers full of cell phone accessories such as chargers, headsets and screen protectors. The items were imported from China, packaged in the shed and shipped out to customers around the world.

As orders poured in and Kingree, the company's senior vice president, needed more space for products, she didn't move; she simply got another shed. This caught the attention of UPS driver Rich Strittmatter, who introduced Kingree and CEO Marcus Adolfsson to UPS account executive Rob Fleischer. He learned that Smartphone Experts customers want the latest accessories as soon as they are available—and that the company was struggling to keep up. Fleischer coordinated a trailer dedicated to delivering inbound accessories each morning, as well as a timely daily pick-up of outbound shipments. Smartphone Experts' on-time delivery rate shot up to 99.2 percent.

UPS also showed Kingree how UPS WorldShip® shipping software could work with her order software to print a shipping label and invoice on one page, saving time and minimizing errors. The next step was integrating

UPS OnLine® Tools into the Smartphone Experts website so customers could choose shipping options. When customers need a return or exchange, Smartphone Experts uses UPS Returns® services to e-mail customers a UPS return label they can print out and attach to an envelope or box. Strittmatter even alerted Kingree about a vacant office building near her home; she moved the business there within a week.

Today SmartPhone Experts has a staff of 20 people and ships an average of 5,000 packages a week. *Inc.* magazine ranks the company as America's fastest-growing retailer. Kingree sums up her partnership with UPS succinctly: "We do whatever it takes. So does UPS."

## 6.8 Develop People

As one of the world's largest private employers, UPS needs workers who can perform to the company's high standards on the job and represent the UPS brand to millions of customers around the world. We don't expect people to qualify for those responsibilities on their own; we offer one of the private sector's most systematic and extensive training programs along with health and wellness programs. More information on these programs is provided in section 8, Social Responsibility.

We also continually review, enhance, and adjust our employee programs to make sure they are serving the people who want to work for UPS. We are an employer of choice that listens to our employees and develops learning programs to meet their needs. We realized that we needed to make an adjustment when our younger drivers began to need significantly more time to become proficient, and more of them were leaving the company during their initial training period.

With the help of a US\$1.8 million dollar grant from the Labor Department, we studied the way young people learn in a world of video games and smart phones. In collaboration with MIT; Virginia Tech; Design, Evaluation Associates; and the Institute of the Future, we then built a high-tech, next-generation training facility called UPS Integrad®. This facility offers 3-D simulations and webcasts along with traditional classroom instruction. We film trainees and



Photo: Employees take part in UPS Integrad® interactive training for new drivers.

show them how they look in action. We teach them to drive in a replica outdoor city named Clarkville that has real streets and street signs, sidewalks, and simulated commercial and residential delivery and pickup sites. The results so far include a sharp increase in driver proficiency, including a reduction in first-year injuries and accidents. Our Gen Y trainees are also reporting significantly higher job satisfaction. We didn't lower our expectations for younger workers. Instead we started training them in ways

that were relevant to them, and the future of the UPS brand is once again in good hands.

Training and volunteerism come together when drivers share their expertise through The UPS Foundation's UPS Road Code<sup>SM</sup> program, piloted in 2008. Employees and retirees will share UPS driving and risk avoidance techniques with teenagers at Boys and Girls Clubs of America in 10 locations throughout the country in 2009.



## 7.0 Environmental Stewardship

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UPS has long pursued numerous, integrated strategies for reducing energy use and associated emissions. In 2008, we invested in new capabilities for capturing our carbon inventory, so we could match our logistical expertise with leadership in measuring and reporting. This section of the Report presents the results of this initiative, including Key Performance Indicators associated with fuel use, emissions, and our environmental management system. This section also highlights ways we increase efficiency in our network and conservation in our operations.

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7.1	Commitment to Environmental Leadership	7.5	Emissions Reduction by Employees and Customers
7.2	Reducing Fuel Use and Emissions	7.6	Conservation and Recycling
7.3	New Airline Emission Reduction Goal	7.7	Environmental Management System
7.4	Emissions Reduction Through Network Efficiency		

## 7.1 Commitment to Environmental Leadership

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We conduct our business and operations with consideration for their environmental impact, and seek to lead our industry in reducing that impact. Because our operations depend on vehicles and aircraft to a considerable extent, we focus strongly on making our transportation networks as efficient and environmentally sound as possible. We apply this approach to our facilities as well, particularly with regard to conservation and recycling programs. We continually evaluate both available and emerging technologies and seek opportunities for using them to improve our environmental performance. All our people are responsible for considering the environmental impact of their actions, participating in UPS conservation efforts, and for complying with applicable environmental laws and regulations.

In our previous sustainability disclosure cycle, we reported on five-year environmental stewardship goals set in 2002. (Our 2007 Corporate Sustainability Report is online at [sustainability.ups.com](http://sustainability.ups.com)). While we achieved many of those goals, we also saw profound changes in our company and the external marketplace during that five-year period. UPS as a company became far larger and we dramatically expanded our international presence and delivery volume. Meanwhile, society as a whole experienced a powerful awakening to the risks and realities of climate change.

As a result of all these factors, we have brought significant new resources to bear on environmental stewardship for the current reporting cycle. As we described in earlier sections of this Report, UPS:

- Created a Sustainability Steering Committee that includes six members of the UPS Management Committee and 11 other senior managers.
- Formalized and documented an enterprise-wide sustainability strategy.
- Created a sustainability team dedicated to collecting data, monitoring key performance indicators and reporting strategic activity and achievements.
- Invested in and began implementing state-of-the-art software for capturing emissions on a global enterprise basis.
- Expanded and revised our Key Performance Indicators and other environmental metrics, often to make them more comprehensive and comparable.
- Initiated and substantially completed a process of setting new environmental stewardship goals.

Our new goals and KPIs are based on our ability to capture data on a worldwide basis, throughout our operations, at a far higher level of accuracy. Even so, our rapid international expansion has brought us numerous facilities, supply chain relationships, and other assets for which there is little or no prior information available on energy use and emissions. Rather

than exclude these assets from our comprehensive carbon inventories for 2007 and 2008, we have applied a rigorous process of analysis, estimation and calculation to develop meaningful data. The great majority of our carbon inventory, however, is based on actual data.

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**We conduct our business and operations with consideration for their environmental impact, and seek to lead our industry in reducing that impact.**

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In this Report, we focus on data from 2005 to the present because we believe that this period and the data we can provide for it are most relevant for us and our stakeholders. (Data for prior years is available in previous Reports, which remain available at [sustainability.ups.com](http://sustainability.ups.com)). In all charts and graphs presented in this section of the Report, we note any exclusions or material issues regarding underlying data.

## 7.1 Commitment to Environmental Leadership continued

### Climate Change Statement

As a global transportation company, UPS acknowledges that greenhouse gas emissions impact the climate and pose a serious challenge to the environment—and ultimately the global economy. It is the responsibility of all segments of society to improve energy efficiency and to reduce carbon emissions in the atmosphere.

UPS prides itself on its current, numerous sustainability initiatives, and being a responsible corporate citizen. Our long-term strategy is to optimize the processes that consume non-renewable resources. We also recognize that UPS is a critical component of our customers' supply chains, and that we have an obligation to help them operate in a more environmentally sustainable way.

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

Our plan includes:

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

All these measures include both ongoing and new initiatives for the entire enterprise. We utilize

technology-enabled, behavior-based, and engineering-based approaches to address our environmental footprint.

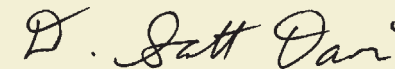
Specific ongoing programs yielding both operational and environmental results are:

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

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

In closing, we will be part of the solution to discover more opportunities for improvement with our industry partners and other thought leaders. It will take determination and

collaboration with government, commercial, and non-government organizations to create a sustainable transportation infrastructure that will minimize environmental impact. Climate change is a critical issue that affects the future viability and prosperity of our world.



D. Scott Davis  
Chairman and CEO

## 7.1 Commitment to Environmental Leadership continued



### CARBON DISCLOSURE PROJECT



### Climate Leadership

UPS has always believed that leadership is a matter of performance. Because climate change is such a serious challenge for all of society, we are engaging actively in external programs and partnerships in addition to pursuing our own climate change initiatives. In recognition that our environmental processes, procedures, and performance may be models or inspirations for others, we are eager to continue the broad public discussion of climate change and how to address it.

In 2008, UPS became the first shipping company to join the U.S. Environmental Protection Agency's Climate Leaders® program. Climate Leaders is an industry/government partnership that works with companies to develop comprehensive climate change strategies. Partner companies commit to reducing their impact on the global environment by completing a corporate-wide inventory of greenhouse gas emissions, setting aggressive reduction goals and annually reporting their progress to the EPA.

We have been a long-time partner in many voluntary programs sponsored by the EPA including the Green Power Partnership, Waste Wise, and ENERGY STAR program. UPS was a charter partner in EPA's SmartWay<sup>SM</sup> program for the freight industry, and received the SmartWay Environmental Excellence Award in 2008 for leadership in conserving energy and lowering greenhouse gas emissions.

UPS is the only transportation company among S&P corporations to be selected for the 2008 Carbon Disclosure Leadership Index (CDLI). More than 300 S&P companies responded to the Carbon Disclosure Project's 2008 request for information about climate change risks and opportunities, emissions accounting, performance and governance. Those selected were judged on the basis of their transparency and depth of information provided in the response. As the Carbon Disclosure Project (CDP) says on its website, "companies selected to appear in the CDLI demonstrate the highest level of transparency and disclosure on climate change within the S&P 500 index." To view the entire CDLI report: [cdproject.net](http://cdproject.net).

## 7.2 Reducing Fuel Use and Emissions

The single most important advance in our reporting capability is completion of our first global CO<sub>2</sub> inventories, for the years 2007 and 2008. UPS was the first company in the package sector to conduct a CO<sub>2</sub> inventory, and we have done so every year since 2002. Our latest leadership initiatives are capturing our CO<sub>2</sub> inventory on an enterprise basis for the entire world and, within that inventory, including indirect emissions that come largely from our transportation and service contractors rather than our own operations. In other words, there is enough detail in the rendering of our inventory to show that it covers Scope 1, 2, and 3 emissions from all our business segments worldwide.

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**UPS was the first company in the package sector to conduct a CO<sub>2</sub> inventory, and we have done so every year since 2002.**

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In conducting and disclosing our inventory, we use the internationally recognized Greenhouse Gas Protocol developed jointly by the World Resources Institute (WRI) and the World Business Council on Sustainable Development (WBCSD). Currently, the majority of our metrics are expressed in terms of CO<sub>2</sub>

emissions. The Greenhouse Gas Protocol includes five other type of emissions, which can be expressed in CO<sub>2</sub> equivalents (CO<sub>2</sub>-e). While CO<sub>2</sub>-e reporting is significantly more data- and calculation-intensive than CO<sub>2</sub> reporting, it results in a more detailed and actionable inventory. Even though we now report absolute emissions from our U.S. Package Operations on a CO<sub>2</sub>-e basis, we intend to broaden our CO<sub>2</sub>-e reporting in the future as we gather and analyze more data from international operations.

According to the Greenhouse Gas Protocol, our Scope 1 emissions are those produced by our own vehicles and aircraft; they are therefore considered “direct.” Scope 2 emissions come from the electricity that is used in a company’s facilities but produced by others (usually electrical utilities); these emissions are therefore considered indirect. Scope 3 emissions are also indirect, but harder to capture because many of them result from a company’s supply chain. These include emissions related to production of purchased materials as well as those from outsourced activities.

Given that most companies utilize resources that generate Scope 3 emissions in order to operate, only an inventory that includes Scope 3 data truly captures an enterprise-wide CO<sub>2</sub> impact. Yet a 2008 survey by the consulting firm Accenture, as reported in Logistics Management magazine, showed that only 10 percent of the companies surveyed actively captured emissions from their supply chains. In

contrast, our Scope 3 inventory is both wide-ranging and detailed, including data and calculations for the shipping lines we use in our freight operations, subcontractors included within our logistics network, employee business travel, and more.

### GLOBAL EMISSIONS

Our global CO<sub>2</sub> inventory was smaller in 2008 compared to 2007. This was due in large part to the global economic downturn, which resulted in volume

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### Note on KPI Goals and Calculations

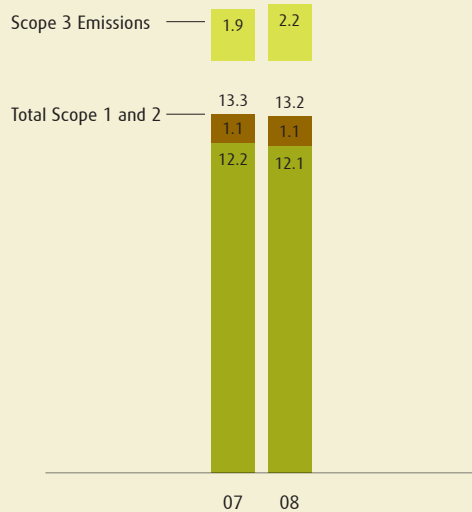
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Given the number of vehicles, locations, countries, and authorized service provider relationships involved in our global enterprise CO<sub>2</sub> inventory, we have been unable to collect direct fuel usage data in all cases. To complete the inventory, we developed estimates and calculations based on the best available information and conservative assumptions. Our objective is to provide the most complete picture of our global CO<sub>2</sub> inventory that we can, even as we continue to advance our data-gathering and analysis capabilities. We are also continuing to develop goals based on these new capabilities.

## 7.2 Reducing Fuel Use and Emissions continued

### Global Enterprise CO<sub>2</sub> Emissions—Absolute (Scope 1, 2 and 3)

■ Scope 1 (Direct)     ■ Scope 2 (Indirect)  
 (million metric tonnes)     ■ Scope 3 (Indirect)



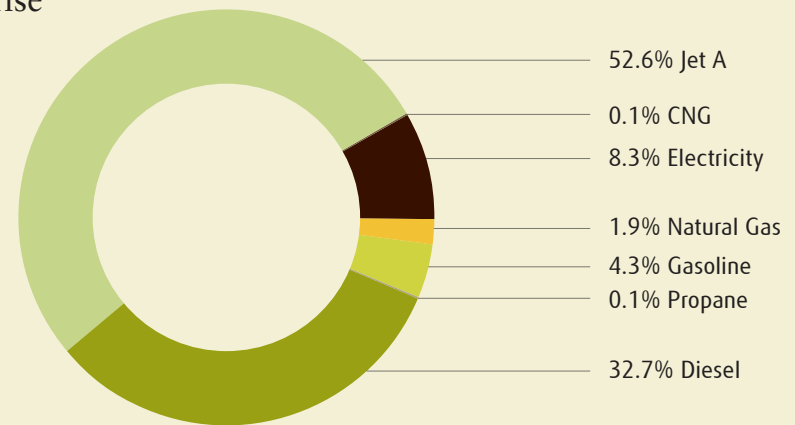
These graphs cover emissions for our entire global business, including all mobile and stationary sources. CO<sub>2</sub> emissions calculated in accordance with the Greenhouse Gas Protocol. Scope 1 and 2 emissions in the United States based on actual fuel and utility data. International based on actual as well as calculated and estimated data. Global Scope 3 data based on calculated and estimated fuel and utility data. Includes emissions from subcontracted transportation and internal employee business travel, among numerous other sources.

### 2008 Global Enterprise CO<sub>2</sub> Emissions—Breakout by Business Unit and Scope

(metric tonnes)

Total Enterprise CO <sub>2</sub>	U.S. Package Operations	Intl Package Operation	Global Supply Chain & Freight
Scope 1 and 2 Only	7,249,640	4,305,229	1,699,131
Scope 3 Only	650,981	1,205,637	332,846

### 2008 Global Enterprise CO<sub>2</sub> Emissions by Type





## 7.2 Reducing Fuel Use and Emissions continued

declines, changes in product mix, and lower package weight for UPS. Our initial inventories showed variation in existing processes for capturing fuel and emissions data, particularly in international locations and recently acquired companies. We are addressing these variations at the process and personnel level around the world, and expect to capture more actual data in more locations in future inventories.

### U.S. EMISSIONS

In 2008, we reduced energy consumption and emissions from our U.S. Package Operations below the levels in each of the previous three years, as normalized by revenue. U.S. Package Operations is our largest business segment by revenue and delivery volume, and includes UPS Airlines emissions for the United States. We have reported on this segment extensively in prior Reports, and we continue to include its energy and emissions efficiency among our Key Performance Indicators. In 2008, we reduced absolute energy consumption and emissions in our U.S. Package Operations compared to the levels in each of the previous two years. Within the 2008 improvement just mentioned, we reduced consumption from both direct and indirect sources. In comparison to 2007 in particular, our focus on network efficiency enabled us to reduce energy consumption and emissions by a greater percentage than the decline in package volume year-over-year.

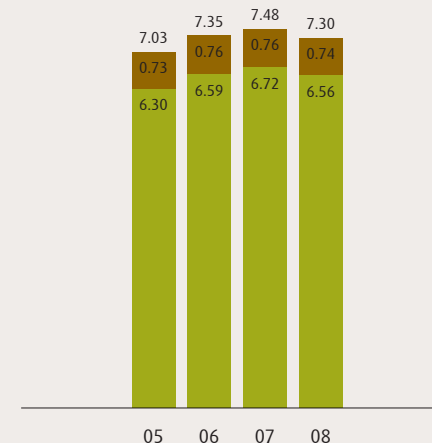
Energy Consumption—  
Absolute, Direct vs. Indirect,  
U.S. Package Operations

Direct Energy Consumption (million gigajoules)  
Indirect Energy Consumption (million gigajoules)



CO<sub>2</sub>-e CO<sub>2</sub>-e Emissions—Absolute,  
Direct vs. Indirect, U.S. Package  
Operations (Scope 1 and 2)

Direct CO<sub>2</sub>e Emissions (million metric tonnes)  
Indirect CO<sub>2</sub>e Emissions (million metric tonnes)



The Greenhouse Gas Protocol includes six sources of global warming emissions, of which CO<sub>2</sub> is by far the most prominent. The other five greenhouse gas sources can be expressed in CO<sub>2</sub> equivalents (“CO<sub>2</sub>-e”) of global warming potential. While CO<sub>2</sub>-e reporting is more data- and calculation-intensive, it results in a more detailed and actionable carbon inventory. Results provided are derived from actual fuel and utility data. In previous Reports, we divided energy consumption and emissions between mobile and stationary sources. Beginning with this Report we now measure “direct” and “indirect” energy consumption. Direct energy consumption includes all mobile sources of energy (gasoline, diesel, Jet A, compressed natural gas) and stationary sources of energy (natural gas, propane and heating oil). Indirect energy consumption results from electricity consumption in UPS facilities.

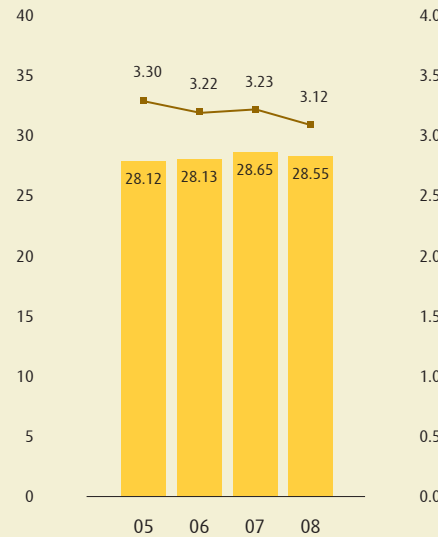
## 7.2 Reducing Fuel Use and Emissions continued

### ENERGY EFFICIENCY IMPROVEMENTS

In 2008, we reduced energy consumption and emissions from our U.S. Package Operations below the levels in each of the previous years, as normalized by revenue. In comparison to 2007 specifically, energy efficiency per 1,000 packages improved .35 percent and emissions efficiency per 1,000 packages improved .47 percent. The improvements resulted directly from better utilization of energy-consuming assets (facilities, aircraft, and vehicles, for example). This is particularly notable because our efficiency increased even when volumes were down due to the declining economy. The greater improvement in emissions compared to energy included a reduction in consumption of jet fuel and increased use of natural gas for heating in our facilities.

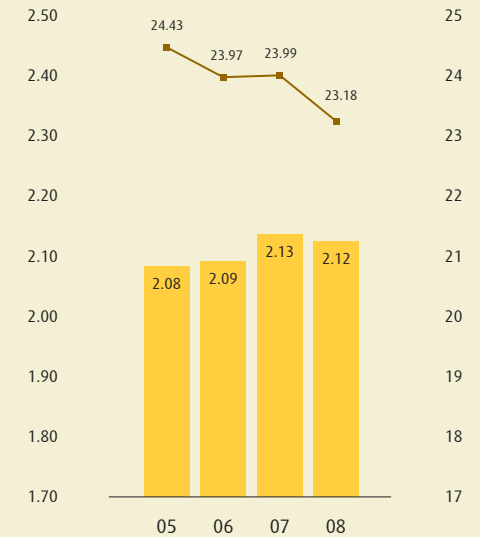
**KPI** Energy Consumption—  
Normalized by Volume and  
Revenue, U.S. Package Operations

■ Energy Consumed per 1,000 Packages (gigajoules)  
■ Energy Consumed per US\$1,000 of Revenue (gigajoules)



**KPI** CO<sub>2</sub> Emissions—  
Normalized by Volume and  
Revenue, U.S. Package Operations

■ Million Metric Tons of CO<sub>2</sub> per 1,000 Packages  
■ Million Metric Tons of CO<sub>2</sub> per US\$100,000 of Revenue



These metrics are Key Performance Indicators for UPS because they show our energy consumption and CO<sub>2</sub> emissions in terms of package volume and business revenue. In contrast, an absolute measurement shows total energy consumption or emissions without regard for how much business we were able to conduct at that level of consumption or emissions. Results provided are derived from actual fuel and utility data.

## 7.2 Reducing Fuel Use and Emissions continued



### UPS Wins SmartWay Excellence Award

In 2008, UPS was a winner of a SmartWay<sup>SM</sup> Excellence Award, which recognizes freight industry leaders that have made significant contributions to protecting the environment through their participation. The U.S. Environmental Protection Agency (EPA) launched the SmartWay brand in early 2004 to address environmental and economic issues challenging the U.S. freight industry.

UPS was a charter partner in the program, helped test the initial model, and contributed important fuel-saving strategies. We have also exceeded the requirements of the program every year. A Shipper Index Factor of 1.25 earns an “outstanding” rating from the EPA.

“We congratulate all our winners, and we encourage them to talk about SmartWay in their stakeholder communications,” says Margo T. Oge, Director of the Office of Transportation and Air Quality at the EPA. “From our point of view, it’s good not just for the companies in the program but also for our environment, economy, and national security.”

The SmartWay partnership between the EPA and industry is based on two facts: shipping companies face the prospect of long-term increases in fuel costs, and the United States absorbs the economic impact of those

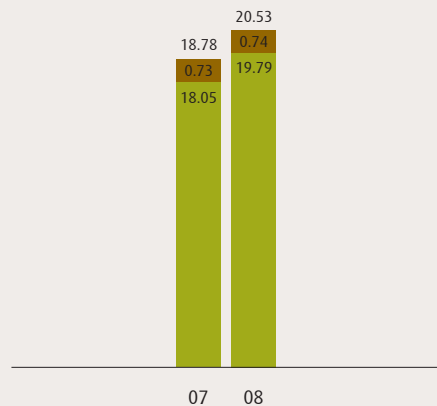
costs and the environmental impacts of a growing freight industry. Through SmartWay, the EPA is now working with more than 1,000 businesses to address these issues with smarter choices regarding their vehicles, fuel usage, and shipping practices. For example, freight carriers gain access to proven techniques for reducing fuel use and emissions, and the EPA encourages shippers to do more business with SmartWay carriers. To further extend the impact of the SmartWay program, UPS is actively encouraging its partner companies and authorized service contractors to participate.

## 7.2 Reducing Fuel Use and Emissions continued

### Energy Consumption— Absolute, Direct vs. Indirect, Supply Chain and Freight

Direct energy consumption includes all mobile sources of energy (gasoline, diesel, Jet A, compressed natural gas) and stationary sources of energy (natural gas, propane, and heating oil). Indirect energy consumption results from electricity consumption in facilities. Results provided are derived from actual fuel and utility data.

■ Direct Energy Consumption (million gigajoules)  
■ Indirect Energy Consumption (million gigajoules)



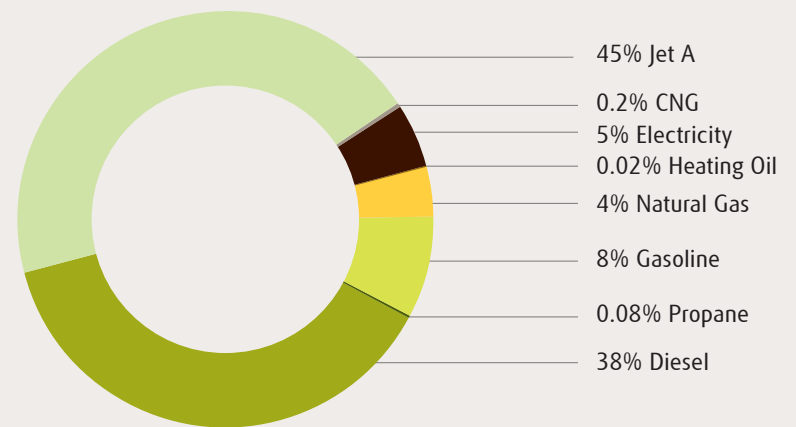
Our energy consumption is driven primarily by fuel use in mobile sources, which comprise 91 percent of our consumption in the U.S. Package Operations segment. Within this amount, aircraft fuel and diesel fuel for delivery vehicles are the dominant types. Stationary sources of energy consumption are primarily electricity consumption (particularly for extensive conveyor systems and lighting) and natural gas heating.

Disclosure of absolute energy consumption for our Supply Chain and Freight segment is new with the 2008 Report, and is part of a larger effort to measure and set goals in additional segments of our business. Absolute energy consumption in our Supply Chain and Freight businesses increased compared to 2007 primarily due to growth in those businesses.

### Energy Consumption by Type, U.S. Package Operations

(gigajoules)

Total 97.7M gigajoules  
 Stationary: 9%, Mobile: 91%



## 7.3 New Airline Emission Reduction Goal



UPS Airlines has the most fuel-efficient fleet in the package airline sector.\* We base this on the following fuel-efficiency metric: CO<sub>2</sub> pounds per available ton mile (CO<sub>2</sub>lbs/ATM). In 2008, our efficiency factor was 1.42 CO<sub>2</sub>lbs/ATM—far superior to our nearest competitor’s current state and long-term future targets.

Despite this leadership position, we are announcing in this Report an aggressive CO<sub>2</sub> reduction target of 1.24 CO<sub>2</sub> lbs/ATM by 2020. This represents a 42 percent improvement between 1990 and 2020 and a 20 percent reduction from 2005-2020.

\* Based on a comparison of major delivery companies in the package delivery sector that published efficiency factors in pounds per available ton miles (ATM). ATM is defined as one ton of cargo flown one nautical mile.

This decision is critical to UPS’s environmental performance because airline emissions represent 53 percent of the company’s global CO<sub>2</sub> inventory. We have recognized this responsibility to reduce our CO<sub>2</sub> and have long made efficiency improvement a part of our strategic planning.

We intend to achieve our 2020 goal through three major areas of focus:

- More fuel-efficient aircraft types and engines
- Fuel Saving Operational Initiatives
- Introduction of biofuels

### **FUEL-EFFICIENT AIRCRAFT: THE BENEFITS OF EARLY ACTION**

We have been able to stay ahead of the competition for more than 20 years because of a strategic commitment to make our air fleet as operationally efficient as possible, even when there were less capital-intensive options available.

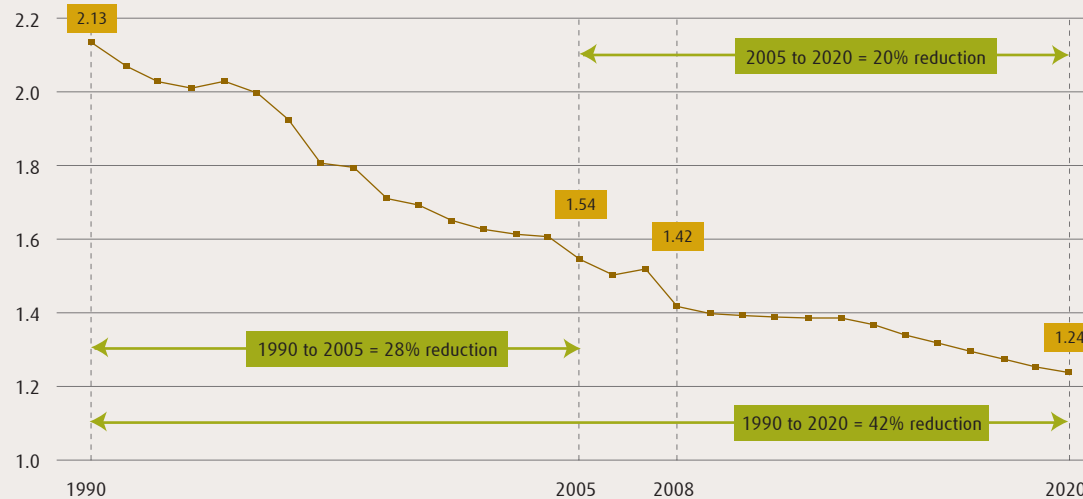
For example, regulations were introduced in the 1980s to reduce noise levels. To comply, airlines had two choices:

- 1) buying “hush-kits” that reduced noise levels but also reduced fuel efficiency; or
- 2) the more expensive option of revamping the aircraft engines (“re-engining”), which would improve fuel-efficiency by 20 percent.

## 7.3 New Airline Emission Reduction Goal continued

### **KPI** CO<sub>2</sub> Emissions per Available Ton Mile—UPS Airlines

This metric is a new Key Performance Indicator (KPI) for UPS because UPS Airlines is our single largest source of emissions. Our goal is to reduce our aircraft emissions to **1.24 pounds of CO<sub>2</sub> emitted per available ton mile (CO<sub>2</sub>lbs/ATM) by 2020**. Distance is measured in nautical miles. Please note that this metric is currently strongly correlated with our KPI “Aviation Gallons Burned per 100 Available Ton Miles” later in this section. We track both KPIs because future developments, such as the introduction of lower-carbon jet fuels, may reduce their correlation.



Unlike competitors, UPS chose the latter for its 727-100 fleet, a prevalent type of our aircraft at the time. Between 1985 and 2008, that decision saved more than 50 million gallons of fuel and more than 479,000 metric tonnes of CO<sub>2</sub> emissions over the life of those 51 aircraft.

We have been able to stay ahead of the competition for more than 20 years because of a strategic commitment to make our air fleet as operationally efficient as possible.

All DC-8 aircraft purchased in the 1980s and 1990s also were re-engined or equipped with more efficient engines.

In addition, we made the strategic decision in the 1980s to purchase 757s (an aircraft that offered 30 percent better fuel efficiency) instead of 727s. Meanwhile, our competitors continued to buy 727s. Between 1995-2008 alone, UPS’s early action saved more than one billion gallons of fuel and 11 million metric tonnes of CO<sub>2</sub>.

## 7.3 New Airline Emission Reduction Goal continued

In 2008, UPS retired its last 727s. By comparison, our nearest competitors are just beginning to replace their aging, less fuel-efficient aircraft.

In addition, UPS replaced 747-200s with 747-400s. UPS first added the 747-400 to its fleet in 2007. The 747-400 has the lowest operating cost per ton-mile of all freighters and its fuel consumption per ton of payload is 20 percent less than that of the company's retired 747-200 aircraft.

### FUEL-SAVING OPERATIONAL INITIATIVES

Details of our air network efficiencies are extensively covered in the discussion of air network efficiency in section 7.4, on pages 64-65. Those include:

- Lower flight speeds
- Reduced flight segments, where viable
- Computer-optimized flight plans
- Computer-managed aircraft taxi times
- Jet engine washing

### INTRODUCTION OF BIOFUELS

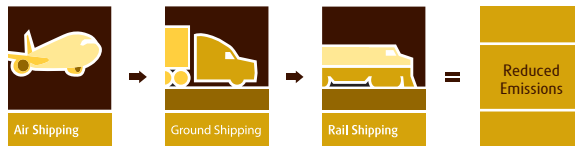
UPS has included biofuels in its long-term strategic plan for airline CO<sub>2</sub> reduction when it becomes viable. We support efforts to promote the environmentally responsible development of aviation biofuels. We believe that biofuels for jets will become available before 2020.



UPS started replacing 747-200s with the more fuel-efficient 747-400s aircraft in 2007.

## 7.4 Emissions Reduction Through Network Efficiency

In 2008, shifts from ground to rail and air to ground together prevented absolute emissions of 3 million metric tonnes of CO<sub>2</sub>.



One of the cornerstones of our emissions reduction program is to use the most energy-efficient mode of transportation available while still meeting the delivery time requirements of our customers. By using our intermodal network, we reduce our carbon impact by moving shipments from air to ground and ground to rail when possible. Tractor trailer transportation is four times more energy-intensive than rail, and aircraft are six to eight times more energy-intensive than tractor trailers. In 2008, shifts from ground to rail and air to ground together prevented absolute emissions of 3 million metric tonnes of CO<sub>2</sub>.

Our extensive use of rail in the United States and the extraordinary network and intermodal-shift capabilities are complemented by:

- A modern, fuel-efficient and noise compliant airline (see p. 59)
- Uniquely customized vehicle and air fleets, which improve our overall load optimization
- An operating model that gives us the ability to deliver and pick up all express and ground packages with one vehicle and one driver
- State-of-the-art Package Flow Technology that gives us unprecedented sorting, loading, and routing capabilities, and
- Highly skilled employees, who are members of the International Brotherhood of Teamsters, for delivery services throughout the United States.

### GROUND NETWORK EFFICIENCY

While 2008 saw negative economic growth compared to 2007, the long-term trend in our business is toward an increased proportion of residential deliveries due in part to internet commerce. This in turn can impact miles driven and fuel per ground package. Nevertheless, we have remained constant in the gallons of fuel per ground package in each of the past four years. As in 2007, we continued to increase energy and emissions efficiency. Ground network fuel efficiency is driven by consumption of fuels relative to package volume, through the application of efficient routing technology, utilization of rail, our alternative fuel/technology vehicle fleet, our growing use of telematics, behavior-based fuel conservation, and other initiatives.

### ROUTING TECHNOLOGY

UPS has been using technology to improve efficiency for a long time. In recent years we have refined and integrated a number of hardware and software tools. One example of this is Package Flow Technology. In 2008, Package Flow Technology enabled us to reach our cumulative goal, set in 2003, of eliminating 100 million miles driven. Our routing technology reduces fuel consumption and emissions by optimizing the processes of:

- Allocating our pick-ups and deliveries to the most efficient number of vehicles each day at each facility, thus keeping vehicles off the road wherever possible



## 7.4 Emissions Reduction Through Network Efficiency continued

- Loading vehicles most efficiently for the order of delivery, so that routes and miles driven can be kept to a minimum
- Routing vehicles so that they reach all required destinations in the least amount of time and miles driven
- Selecting route options that minimize idling time spent waiting for lights and turns, thus reducing fuel use and emissions even if miles driven remain the same
- Identifying stopping locations that enable multiple deliveries without repositioning a vehicle
- Keeping drivers on route and on schedule via a handheld computer.

### ALTERNATIVE FUEL/TECHNOLOGY VEHICLES

UPS operates the largest private alternative fuel/technology vehicle fleet in the package sector, now totaling 1,819 vehicles in Brazil, Canada, France, Germany, Mexico, the UK and the United States. More than a third of our alternative fuel/technology vehicles operate outside the United States. In 2008, we increased our numbers of vehicles powered by electricity, compressed natural gas, liquid natural gas, and hybrid combinations. In a first for our industry, we also purchased and deployed what is known as a “hydraulic hybrid vehicle” (HHV). Though not well known, HHV technology was developed in a laboratory of the U.S. Environmental Protection Agency (EPA). HHVs combine an efficient diesel engine with

an innovative hydraulic drive train and transmission. The hydraulic fluid is compressed only periodically by the diesel engine, which increases engine efficiency, and it also captures energy during braking that would otherwise be lost. Compared to conventional diesel vehicles, our HHV has shown itself to be 40 percent more fuel-efficient in normal day-to-day operation than conventional diesel vehicles.

**UPS operates the largest private alternative fuel/technology vehicle fleet in the package sector, now totaling 1,819 vehicles in Brazil, Canada, France, Germany, Mexico, the UK and the United States.**

### TELEMATICS

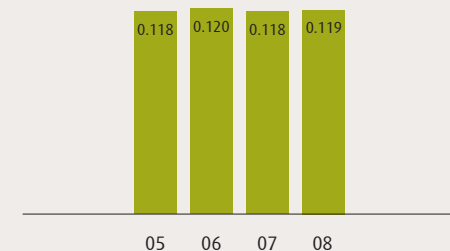
With Package Flow Technology optimizing our delivery routing and our alternative fuel/technology vehicle program reducing our dependence on fossil fuels, we are pioneering another major opportunity for increasing efficiency in our ground network: telematics technology that captures a snapshot of a day’s activity for both truck and driver. Sensors throughout

### **KPI** Gallons of Fuel per Ground Package, U.S. Operations

This metric remains a Key Performance Indicator (KPI) for UPS because we conduct a high volume of ground package business and focus considerable attention and resources on continuously increasing our ground network efficiency. We revised the KPI to include Scope 3 subcontractor fuel consumption and air/express packages that we move by ground. Data includes all fuels used in ground transport and rail (including gasoline, diesel, compressed natural gas, and liquid natural gas).

■ Gallons of Fuel per Package

$$\frac{\text{All ground based fuel (Gas+Diesel+CNG+LNG+Rail)}}{\text{All Ground volume + Air volume grounded}}$$



## 7.4 Emissions Reduction Through Network Efficiency continued

a delivery vehicle collect data on acceleration, braking, turns, idle time, seat belt use, and other aspects of vehicle and driver performance; and the data flows wirelessly to our operating centers. We analyze the data in multiple ways, seeking a range of outcomes.

One immediate benefit we discovered was greater ability to reduce idling time (when a vehicle is burning fuel and producing emissions without a productive result). Current tests showed that drivers can reduce idling time by up to 15 minutes per driver per day. Projecting this reduction across our entire average daily delivery fleet would potentially avoid generating 15,000 metric tonnes of CO<sub>2</sub> per year. Another benefit is increasing safety by eliminating actions or circumstances that might lead to injury. For example, we can identify roads or stretches of road with a high percentage of harsh braking events, and advise drivers to operate in those areas with extra caution and greater following distances. We can also identify driver behaviors that may require additional training, such as rapid accelerations, exceeding speed limits, or driving without fastening a seat belt.

Yet another advantage we have found with telematics is higher precision in vehicle maintenance. In the past, we have conducted an extensive program of proactive preventative maintenance. We are proud of this program, which extends the lives of our vehicles, maintains their fuel and emissions efficiency, minimizes spills or leaks of environmentally sensitive

fluids, and keeps our drivers safe. Yet with telematics we now see significant opportunities to enhance the program further.

### UPS has pioneered numerous strategies and techniques for reducing aircraft fuel consumption and associated emissions.

One of those opportunities is to schedule our proactive maintenance based on actual operating history. For example, we have historically replaced the starters for vehicle engines roughly every 24 months, regardless of how the truck was used. Now we can differentiate between trucks driven on routes with as few as 30 starts per day and trucks driven on routes with as many as 150 starts per day. We will still plan to replace the starters in our trucks before they fail—and we will be able to do so when it's actually necessary for individual trucks. This increase in program efficiency will further increase the financial and environmental benefits of preventative maintenance.

In 2008, we equipped more than 8,000 vehicles with telematics kits following successful tests in 2007. We expect to continue rolling out the telematics program internationally in the years ahead.

#### AIR NETWORK EFFICIENCY

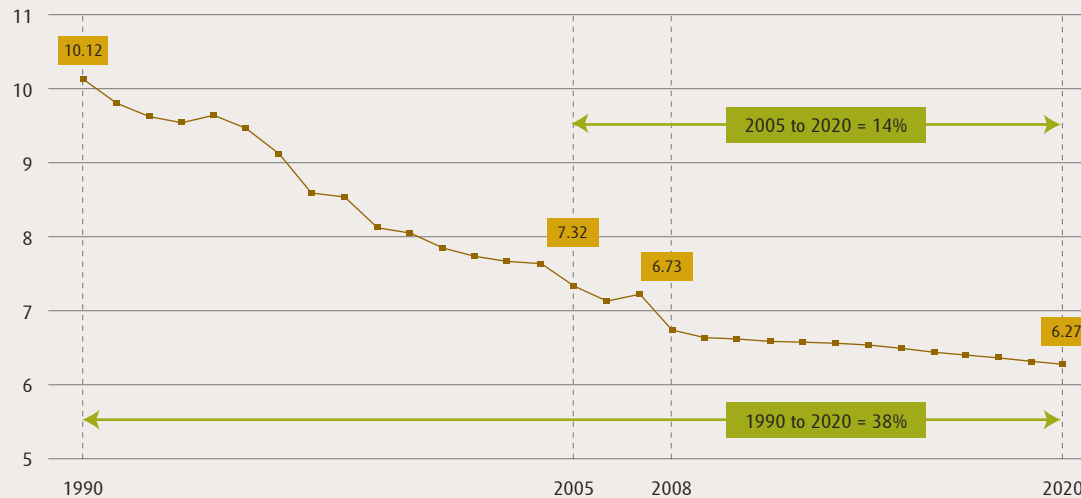
UPS has pioneered numerous strategies and techniques for reducing aircraft fuel consumption and associated emissions. Efficiency increases at UPS Airlines include:

- **Lower flight speeds:** In the United States, we are slowing down 30 of our cross-country flights each week. By slowing these flights by only a few minutes, we can still keep service commitments to customers, operate safely, and save several million dollars in fuel costs.
- **Computer-optimized flight plans:** We computer-optimize our flight plans to minimize fuel burn based on destination, winds aloft, and other factors. Savings total several million dollars per year.
- **Computer-managed aircraft taxi times:** UPS has begun using a computer system, called the Surface Management System, to track the ground movements of our aircraft while on the airfield. This helps us minimize taxi times and long lines of aircraft waiting to take off, saving us as much as 250,000 gallons of fuel per year. In addition, we taxi our aircraft on one engine as often as safety allows.
- **Fuel-efficient towing tugs:** UPS is working with the Environmental Protection Agency on a project to put more fuel-efficient engines in 92 diesel tugs at UPS Worldport®.

## 7.4 Emissions Reduction Through Network Efficiency continued

### **KPI** Aviation Gallons Burned per 100 Available Ton Miles—UPS Airlines

This metric is a Key Performance Indicator (KPI) for UPS because aviation fuel is our single largest source of energy consumption. Our goal is to reduce our aviation fuel use to 6.27 gallons per 100 available ton miles (ATM) by 2020. Distance measured in nautical miles. Please note that this metric is currently strongly correlated with our KPI “CO<sub>2</sub> Emissions per Available Ton Mile—UPS Airlines” earlier in this section. We track both KPIs because future developments, such as the introduction of lower-carbon jet fuels, may reduce their correlation.



- **Electric dockers at Worldport:** To power our parked aircraft at UPS Worldport®, we are using electricity rather than fuel-powered auxiliary power units or ground power units. We are also loading and unloading those aircraft with electrically powered equipment rather than traditional diesel-powered machinery.
- **Biodiesel in ground support equipment:** We are working with the Commonwealth of Kentucky on an experiment to power some of our ground support equipment with a 5 percent blend biodiesel fuel.
- **Environmentally friendly paint:** UPS has recently begun using a new aircraft paint process that eliminates many of the potentially hazardous chemicals involved in preparing an aircraft for painting. It also eliminates the typical need for a third coat of paint weighing approximately 300 pounds per plane. Reducing plane weight helps minimize fuel burn.
- **Cleaner engines:** We are washing engines on our 767 and MD-11 fleets to extend operating life and minimize fuel burn.

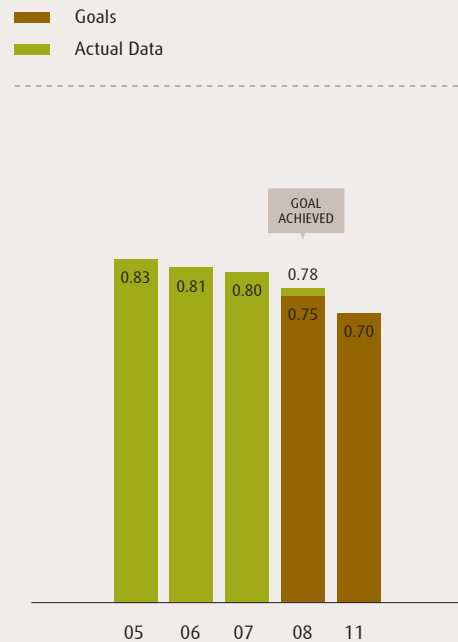
#### **AVIATION GALLONS BURNED**

Our goal is to reduce aviation fuel burned per 100 ATM (gals/100ATM) to 6.27 gallons by 2020. Note that this goal is aligned with our goal for reducing aircraft emissions (CO<sub>2</sub> lbs/ATM) as described above in section 7.3. Achieving the goal represents

## 7.4 Emissions Reduction Through Network Efficiency continued

### **KPI** Aircraft Emissions per Payload Capacity—UPS Airlines

This metric is a Key Performance Indicator (KPI) for UPS because aircraft emissions are our single largest source of emissions. It covers total emissions of hydrocarbons, carbon monoxide and nitrogen oxides from aircraft takeoffs and landings below 3,000 feet of altitude. These emissions differ from CO<sub>2</sub> emissions in that they are weakly correlated with reduction in fuel use.



a 38 percent improvement from 1990 (a year that is widely used as the baseline for calculating changes in energy efficiency). In 2008, we cut aviation fuel use to 6.73 gals/100ATM, a 33 percent improvement compared to 1990. Furthermore, we have already surpassed the goal we reported in our 2007 Report (6.9 gals/100ATM by 2011). The improvement is due to the factors explained earlier.

#### **AIRCRAFT EMISSIONS PER PAYLOAD**

The KPI graph at left addresses air quality and smog formation around airports. While global aircraft emissions continued to decline in 2008, we did not reach our previously published goal of 0.75. This was driven by challenging business conditions during the year, which we responded to in part by using larger, less emissions-efficient aircraft to consolidate shipments on multiple routes. We have re-evaluated our long-range plans for aircraft utilization and are projecting a new goal of 0.74 for this KPI in 2011.

#### **FULL COMPLIANCE WITH ICAO GUIDELINES**

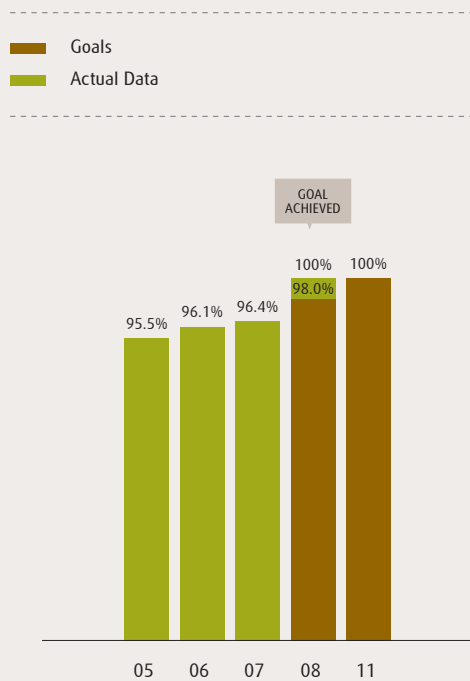
UPS is the only company in the package sector to bring 100 percent of its air fleet into full compliance with International Civil Aviation Organization (ICAO) Stage IV noise guidelines, even though many of our aircraft were acquired before the 2006 cutoff for Stage IV. We reached full compliance due in part to investments we have made in past years to reduce

aircraft noise, and also to aircraft retirements in 2008. The noise characteristics of our fleet are charted on the next page.

One of our most significant advances in noise reduction in 2008 was our early adoption of “continuous descent approach” (CDA) landings at airports in the United States and Europe. In a conventional approach to an airport landing, pilots drop down from cruising altitude in a series of steps, each requiring a burst of acceleration to stabilize at the next step. In a CDA landing, our pilots idle their engines and glide in as if rolling quietly down a ramp rather than bumping down a flight of stairs. This technique can reduce an aircraft’s noise profile by 30 percent and lower ground noise by five decibels—a significant difference for people living and working near busy airports. Reducing noise is particularly important for UPS, because it helps us preserve our authorization to operate night flights at vital hub airports serving densely populated areas. In 2008, for example, we introduced CDA at two hub airports in Europe: East Midlands Airport in central England and Cologne Airport in Cologne, Germany. Note that in addition, limited test results show that CDA reduces aircraft emissions by 34 percent and fuel consumption by 30-70 gallons per flight.

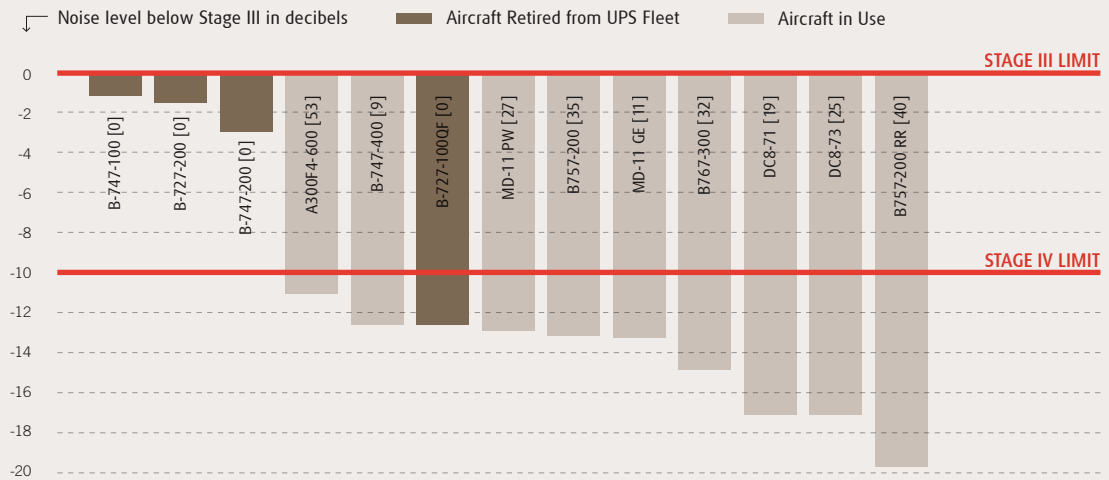
# 7.4 Emissions Reduction Through Network Efficiency continued

## KPI Percent of Total UPS Air Fleet Meeting ICAO Stage IV Noise Guidelines



## U.S. Aircraft Noise Characteristics as Compared to ICAO Stage III and Stage IV Guidelines

UPS-owned and leased aircraft by type, year-end 2008. The quantity of each aircraft is listed in brackets.



This graph shows that our entire fleet exceeds both Stage III and Stage IV noise guidelines.

The graph at left is a Key Performance Indicator (KPIs) for UPS because we pursue a “beyond compliance” strategy regarding international aircraft noise regulations. Guidelines issued by International Civil Aviation Organization (ICAO).

## 7.5 Emissions Reduction by Employees and Customers

At UPS, we recognize that mobile sources of emissions—in other words the cars, trucks, planes, trains, and ships in our transport network—account for 91 percent of our carbon inventory. Even as we work relentlessly to increase network efficiency, we also have programs and initiatives to reduce our emissions from the sources that make up the remaining nine percent. This includes educating our employees and customers.

### EDUCATING EMPLOYEES

During 2008, we established our Decision Green<sup>SM</sup> environmental platform. Decision Green is not a specific product or service but refers to our environmental activity in general. We use the name when communicating to customers and employees worldwide both to increase the consistency and impact of our messages relating to environmental issues and to emphasize that any one activity is part of a larger ongoing effort to consider the environment in everything we do. As a practical example of increasing and enhancing our communication regarding environmental issues, we launched a new intranet website devoted to the countless ways that employees can become more environmentally minded both at work and in their personal lives. In particular, the site encourages employees to share ideas with each other.

Internally, we use our strength in IT and our volume purchasing power to make it easier for employees to make better choices for the environment. In 2008, for example, we began delivering short driver education

videos to our drivers via the same handheld device they use throughout the day to track pickups and deliveries and gather electronic signatures from customers. Approximately 80,000 PC monitors in UPS facilities are now set to an energy-saving mode, so that whenever possible they consume less energy. We also asked our employee vending machine providers to offer us machines that meet the standards of the U.S. EPA ENERGY STAR program. More than 85 percent of vending machines in UPS locations in the United States are now ENERGY STAR compliant.

### SUPPORTING CUSTOMERS

We believe in helping our customers change their energy and emissions profiles both directly and indirectly. That is one of the reasons we have developed paperless labeling and invoicing programs. Customers may not think of paperless invoicing as an environmental choice, but we make sure they are aware of its economic benefits so that they indirectly support the environmental benefit as well.

We are also going directly to our customers with a growing set of “green services.” These offerings are based on our own expertise and meet a growing demand for solutions that help customers make their own logistics more environmentally sound (see sidebar). One of our new green services in 2008 comes from the UPS Package Design and Test Lab, which now offers UPS customers advice on minimizing the environmental impact of their own packaging.

### Recycled Content in UPS Packaging



UPS Express Envelope  
100% recycled fiber  
(80% post consumer content)



UPS Reusable Express Envelope  
100% recycled fiber  
(80% post consumer content)



UPS Express Pak  
15% post consumer content



UPS Express Box  
90% post consumer content



UPS Express Tube  
90% post consumer content



UPS 10 Kg Express Box  
30% post consumer content

## 7.5 Emissions Reduction by Employees and Customers continued

Because UPS works with all modes of transport and virtually all types of shipments, the lab has abundant experience to offer on everything from choosing environmentally friendly materials for packages, packing material and closures to shipping practices that minimize damage that lead to re-shipping.

In 2008, we celebrated the ten-year anniversary of the UPS Reusable Express Envelope, which cuts down on waste by making it easy for customers to use twice. An industry first, it was originally introduced in 1998, the same year we accepted the challenge from the Environmental Defense Fund to lead the industry by improving the environmental profile of our express packaging. As a result, we redesigned our express packaging to eliminate bleached paper and increase the use of post-consumer recycled content—changes that not only reduced paper usage, but also reduced the amount of energy used in the manufacturing process by 12 percent.



### UPS Paperless Invoice

The UPS Paperless<sup>SM</sup> Invoice saves time, money, and trees. It eliminates the main reason that international shipments are delayed. It is the only solution of its kind offered by transportation carriers today. Perhaps best of all, it's free.

Introduced in 2008, UPS Paperless Invoice enables customers to pull together online all information needed for an international shipment, and then transmits that data electronically to customs offices across the globe. Going paperless is not only greener, it's also better for business because it all but eliminates the errors and incomplete information that cause so much paper documentation to be held up by customs rules. Customers with shipments originating in more than

30 countries now process hundreds of thousands of "paperless" shipments each month. They are buying less paper and fewer toner cartridges, spending less time filling out shipping information, and seeing their shipments breeze to their destinations.

## 7.5 Emissions Reduction by Employees and Customers continued

### UPS Green Services

#### **FLEXIBLE SHIPPING**

UPS's multimodal network—which flexibly moves goods by ship, rail, aircraft, and truck—enables us to offer a range of options so that customers can balance their concerns regarding speed, cost, and carbon footprint.

#### **PAPERLESS BILLING**

Electronic Billing saves trees on the way to giving customers a much better way to manage their account with us, and it can help them manage their own customer receivables more effectively as well. We offer four options for paperless billing, so customers can choose how they take advantage of it.

#### **REUSABLE ENVELOPES**

UPS Reusable Express Envelopes come with a second strip of adhesive, making it easy to use them again. Reusable Express Envelopes are especially convenient for shippers in document-intensive industries, such as law and real estate, in which it is common to send out documents that must be signed and returned.

#### **SMARTER PACKING MATERIALS**

Many The UPS Store® locations offer earth-friendly packaging that does the job of bubble cushioning and packaging peanuts using a fraction of the material and energy. We also let customers recycle old packaging peanuts at many store locations.

#### **GREEN PACKAGING LAB**

Our Package Design and Test Lab helps customers improve, enhance, and right-size their packaging. When smaller, lighter, smarter-shaped packages still deliver on quality, they reduce fuel consumption and emissions—often while saving money for the customer as well.

#### **SUPPLY CHAIN CONSULTING**

As an operator of one of the world's most extensive and advanced logistics, distribution and transport networks, we can help customers improve the efficiency of their own supply chains. Our expertise includes working closely with businesses of all sizes, in all industries, in all parts of the world, so we know how other companies are turning their logistics green. Whether customers are looking for a few good ideas or an expert team to take over their whole transportation network, we can help reduce their costs and carbon footprint.

#### **FLEET MANAGEMENT SOLUTIONS**

We offer customers sophisticated software solutions for routing, scheduling and dispatching their vehicle fleets. Currently, nearly 190,000 customer vehicles are using UPS technology to eliminate more than 1.1 billion miles driven in the course of a year, with an associated saving of approximately 1.9 million metric tonnes of CO<sub>2</sub>.



## 7.6 Conservation and Recycling

During 2008, UPS continued or expanded numerous initiatives aimed at reducing energy consumption and emissions from facilities while conserving natural resources.

### LIGHTING

Lighting is one of our major stationary sources of energy use and emissions, in part because our distribution centers are large facilities that remain in operation overnight. In 2008, we funded 117 lighting upgrade projects that are expected to produce an annual energy savings of more than 25 million kWh. This is equivalent to the energy required to power 2,490 homes for a year. We expect these projects to lower CO<sub>2</sub> emissions by 15,893 metric tonnes annually. We also continue to test and evaluate low-energy LED lighting for specific applications, such as yard lighting and the loading and unloading of trailers.

### RENEWABLE ENERGY

In 2008, we deployed a solid oxide fuel cell in our Anchorage, Alaska distribution facility that converts low-carbon fuels directly into electrical energy. The system is expected to produce 100,000 kilowatt hours of electricity, and reduce CO<sub>2</sub> emissions by 62 metric tonnes per year. This project will enable us to learn more about fuel cells as a potential source of electricity for our distribution centers, which operate around the clock.

In 2008, four other UPS facilities drew a substantial proportion of their electricity from renewable sources. Our solar-powered facility in Palm Springs, Calif. produced 70 percent of its own electricity from solar technology in 2008, eliminating 544 metric

tonnes of CO<sub>2</sub> emissions—the equivalent of taking 99 automobiles off the road for the year. The remaining facilities received approximately 50 percent of their electricity from the conversion of biomass, a renewable source provided as an option by the electricity supplier.

### ENERGY-EFFICIENT BUILDINGS

We approach the energy efficiency of our distribution facilities from a logistics-network perspective: the building is not a stand-alone island, but part of a larger system. Buildings and facilities account for 9 percent of our total energy consumption. For example, we choose site locations to minimize transport and delivery travel distances, therefore reducing fuel consumption and costs throughout the life of the building. We design the entire building site, including employee parking areas, to minimize fuel consumption of all vehicles using the site. We have developed a new design for our distribution facilities so that delivery vehicles are parked outside rather than inside, which reduces the size of the building. This in turn reduces materials required for construction and energy needed for lighting, heating and cooling. We equip the buildings with high-speed roll-up doors that open and close quickly when vehicles are departing and arriving, to minimize heating and cooling loss.

Other steps we take to make our distribution facilities more energy efficient include:

## 7.6 Conservation and Recycling continued

- Skylights to reduce energy consumption for general lighting during the day.
- Energy-efficient motors and low-friction belts for conveyer systems.
- Pressurized heating systems and dock door seals to prevent heat loss in cooler climates.
- Localized infrared systems for “task heating” that reduce the need for general heating requirements.

We are currently developing LEED certification processes and criteria for building construction and materials, to ensure that we use the most efficient and economical materials in future facility construction.

Energy efficiency is a priority in our office and IT environments as well. For example, we have achieved nearly three million kilowatt hours of annual electricity savings in one of our largest data centers (see sidebar). We are steadily expanding our use of building automation systems, such as motion sensors for office lighting, to reduce energy consumption. These systems have been installed at our corporate offices, major data centers, and new distribution facilities, such as in Newington, Va. and Cordova, Calif. As older heating, ventilation and air conditioning (HVAC) systems reach the end of their life cycles, we replace them with high-efficiency units.

### **WATER CONSERVATION**

In 2008, U.S. Package Operations substantially reduced water consumption, to 4.36 million cubic

### Driving Down Energy Costs in a Data-Driven Business

Data drives the UPS global logistics network, and electricity drives the data centers. Most of the electricity that pours into corporate data centers is used to cool massive racks of computer servers so that they can process data at high speeds. Data centers have grown larger and more numerous around the world, leading McKinsey & Co. and the Uptime Institute to predict that data centers could become the world's number one source of greenhouse gases by 2020.

In 2008, we continued to address this issue with one of our largest data centers. Located near our headquarters in Atlanta, Ga., the Windward Data Center monitors the approximately 15.5 million packages we deliver daily. We have managed to reduce annual electricity consumption by nearly three million kilowatt hours at Windward Data Center through

innovative use of simple but powerful elements: air and water. In one case we re-engineered airflow to adjust hydrostatic pressure and keep cool air where it belonged: surrounding the server racks. That change alone produced a saving of 1.5 million kilowatt hours of electricity. We also combined a high-efficiency heat exchanger with a 650,000-gallon water tank to replace the cooling power of 400-kilowatt chillers. The data center's facility managers can now turn off the energy-consuming chillers for more than five months a year—a substantial achievement in the relatively warm climate of Atlanta. This produced another saving of approximately 1.5 million kilowatt hours—and eliminated more than 1,000 metric tonnes of emissions. In 2008, Windward Data Center won Uptime Institute's Green Enterprise IT Award.

## 7.6 Conservation and Recycling continued

meters (1.15 billion gallons) from 5.39 million cubic meters (1.42 billion gallons) in 2007. Our absolute and normalized water use dropped substantially compared to each of the previous three years as well. We led water conservation efforts by example from our corporate offices, where we cut water consumption by 4.8 million gallons compared to 2007. This reduction came from multiple sources, including landscape irrigation changes, installation of waterless urinals, and upgrades to the HVAC system. In the field, we wash our more than 75,000 vehicles in the United States only as needed to maintain appearance; we reclaim water from our vehicle washing tunnels; and we use an environmentally friendly enzyme wash agent that reduces the need for rinse water.

We are committed to further reducing our enterprise water consumption, both on an absolute and normalized basis. One of our primary strategies for achieving this result is to improve our collection and analysis of water data, so that we can more rapidly and effectively identify additional conservation opportunities. Because of our local presence in so many municipalities, we must deal with more than 1,900 water accounts in the United States alone. Furthermore, those accounts involve more than 1,000 unique suppliers using 16 different measurement systems. As we have expanded overseas, the challenge of gathering and correlating water data has grown even greater.

### KPI Water Use Absolute

This metric is a Key Performance Indicator (KPI) for UPS because we seek to reduce water consumption throughout our business as a cost-saving measure as well as a conservation measure. Data for 2005 does not include Supply Chain and Freight. Measured in million cubic meters.

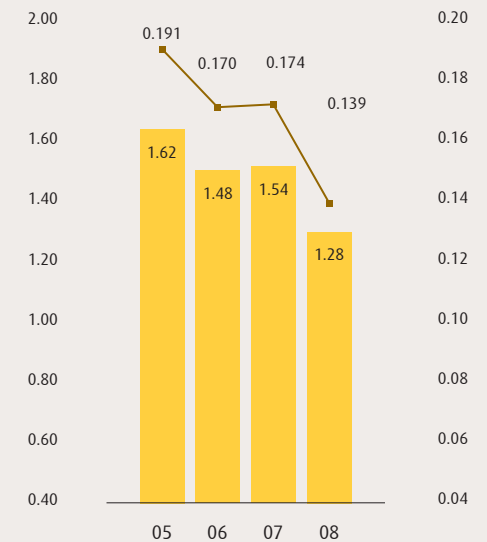
- U.S. Package Operations (million cubic meters)
- Supply Chain and Freight (million cubic meters)



### KPI Water Use Normalized

We track normalized water use because it shows our water-dependence in terms of package volume and business revenue. In contrast, an absolute measurement shows total water use without regard for how much business we were able to conduct at that level of consumption or emissions at that level of water consumption.

- Water Consumption per 1,000 Packages
- Water Consumption per US\$1,000 of Revenue



## 7.6 Conservation and Recycling continued

### SOLID WASTE, E-WASTE, AND BATTERY RECYCLING

Office paper, cardboard, and plastic material separation and recycling programs have been in full operation at many UPS facilities for years. We estimate that our U.S. Package Operations and Supply Chain and Freight generated approximately 120,000 tons of solid waste in 2008, and recycled approximately 51,000 tons (43 percent) of that material. Wood pallet recycling increased 40 percent compared to 2007. Through our participation in the Rechargeable Battery Recycling Corporation (RBRC), UPS recycled 27,753 pounds of batteries in 2008. These batteries include nickel cadmium, nickel metal hydride, lithium ion, and small-sealed lead acid.

We also continued to expand our e-waste recycling program, which has processed more than 24.5 million pounds of e-waste since 2000. E-waste includes desktop computers, laptops, servers, hard drives, cables, keyboards, telephones, cell phones, routers, switches, printers, and media such as CDs. A custom web application makes it easy for UPS employees to take the right action with e-waste equipment simply by entering its serial number. The application automatically prints out a shipping label for UPS ground transport to the nearest UPS consolidation site. Equipment that can be repaired is shipped to a facility in Louisville, Ky. The rest is transported to the nearest of seven consolidation sites around the

country. These sites are co-located at existing distribution centers that are part of UPS's Supply Chain Solutions logistics network. They collect and palletize the e-waste, build loads and then send them off to regional e-waste recycling vendors. We closely audit these vendors, including surprise visits allowed by contract. They are also required to track every piece of equipment throughout its recycling trail.

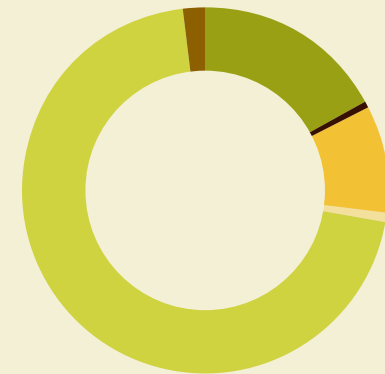
In addition to the environmental benefits and lower transportation costs, the e-waste network helps pay for itself. The revenue we generate from selling recycled materials and still-functional equipment usually more than offsets the costs of the recycling program.


In 2008, we began applying the same approach to our e-waste programs in Europe, and we also advanced plans to expand the program to operations in other continents.

In addition to recycling materials from our own operations, we look for opportunities to purchase materials with recycled content. We believe that this procurement practice helps sustain and expand the market for recycled materials and thereby encourages wider implementation of recycling programs throughout industry. In 2008, we purchased 159,148 tons of materials that included recycled content.

### Solid Waste Recycling by Type—U.S. Package and Supply Chain and Freight

(U.S. tons)



	35,919	Corrugated Containers
	8,725	Pallets and Wood Waste
	4,931	Metals
	867	Mixed Recycling
	312	Office Paper
	193	Plastics

## 7.7 Environmental Management System

Our Environmental Management System (EMS) at UPS aims to meet or exceed all applicable laws and regulations for handling environmentally sensitive waste and hazardous materials in our facilities. It includes most of the same components included in the internationally recognized ISO 14001 standard for continuous process improvement in environmental management. For example, we are now rolling out a global software-based management system for standardizing EMS implementation and performance. One focus on improving quality has been training and certification for our employees who work within the system or serve as internal auditors. In 2008, we trained and certified more than 200 employees for fuel management systems and internal environmental audits. The results of internal EMS audits are reported to senior management.

As in past Reports, we continue to provide information on our hazardous waste management methods, regulatory agency inspections, resulting penalties, and reportable spill incidents. Beginning with this Report we expand our disclosure regarding penalties to include our Supply Chain and Freight operations.

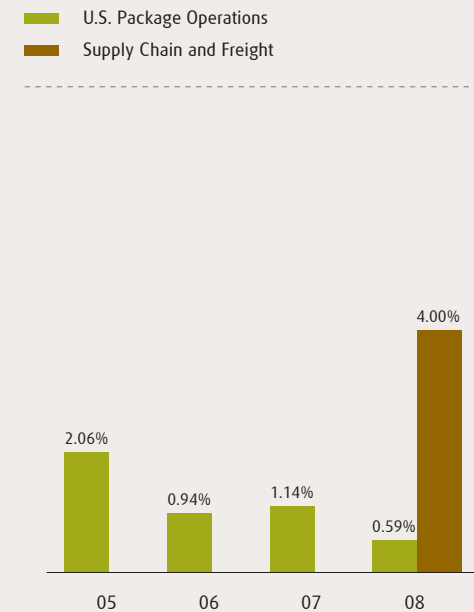
### INSPECTIONS

In 2008, U.S. federal and state environmental agencies conducted 799 inspections at UPS facilities in the United States, resulting in 45 notices of violations. For U.S. Package Operations, four of those inspections resulted in penalties totaling US\$11,450. This is a substantial improvement over each of the three previous years, with penalties as a percentage of inspections falling to 0.59 percent.

Supply Chain and Freight operations received 38 notices of violation, which resulted in five penalties totaling US\$51,500. These penalties represent four percent of the inspections that were reported for 2008 by our Supply Chain and Freight segment, which is relatively new to UPS compared to our long-established, closely measured U.S. Package Operations segment. We expect to improve the accuracy of inspection reporting in the Supply Chain and Freight segment.

### **KPI** Penalties as a Percentage of Total Environmental Inspections—U.S. Package Operations (2005–2008), Supply Chain and Freight (2008)

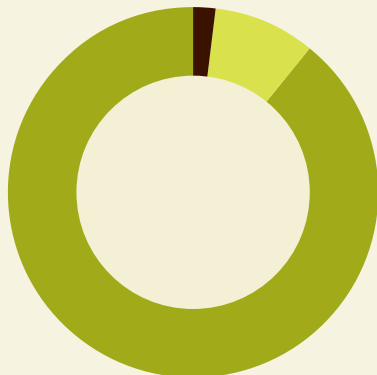
This metric is a Key Performance Indicator (KPI) for UPS because we seek to comply fully with applicable regulations throughout our business. We began reporting data for our Supply Chain and Freight operations in 2008.



## 7.7 Environmental Management System continued

### Hazardous Waste Management Methods—U.S. Package Operations, Supply Chain and Freight

This metric is no longer a Key Performance Indicator (KPI) for UPS because our hazardous waste management methods remain stable over time and do not represent a significant risk factor for our business.



- 2% Treated and Landfilled (21 tons)
- 9% Recycled (68 tons)
- 89% Incinerated (994 tons)

#### HAZARDOUS WASTE

In 2008, UPS operating facilities in the United States generated 1,120 tons of hazardous waste. This represents approximately 1 percent of total wastes, compared to 10 percent of total wastes in 2007. While the total weight of hazardous waste increased compared to 879 tons in 2007, the percentage of tonnage by management method (recycling, landfills and incineration) remained nearly unchanged year-over-year. Non-hazardous waste in 2008 totaled 2.1 million tons.

Both hazardous and non-hazardous wastes come from aircraft, vehicles, and operations facilities. They typically include spent antifreeze, used oil, spent solvents, spill residues, paint wastes, used filters, and leaking packages. We work with authorized vendors that are properly qualified to dispose of or recycle these wastes. Hazardous waste vendors are selected even more carefully and audited regularly to ensure safe handling of all wastes generated by UPS.

#### INCIDENTAL SPILLS

Our EMS objective for incidental spills is to reduce the number to zero. This is an aggressive goal for a company that operates more than 75,000 vehicles in the United States. In fact, UPS exceeds federal reporting guidelines by requiring that facilities report all spills that can impact the environment to our internal Corporate Environmental Affairs department. We closely analyze information about

every spill in order to anticipate and prevent future occurrences. In responding to a spill incident we focus on rapid action, from identification of the substance through remediation and reporting to all appropriate authorities.

Reportable spills increased to 99 incidents in 2008, higher than in each of the previous three years. The total spill volume from reportable spills in 2008 was 4,933 gallons, of which Supply Chain and Freight operations accounted for 1,867 gallons. We have determined that the increase in spills for U.S. Package Operations was due primarily to a higher number of vehicle equipment failures such as leaks or breaks in fluid lines, fluid reservoirs, and radiators, and we are taking steps to address these issues.

## 7.7 Environmental Management System continued

### 2008 Spill Incidents by Type

	Aircraft		AST and/or Piping		Fuel Delivery Vehicle		Ground Support Equipment	Package		UPS Vehicle			
	Human Error	Vehicle Overfill	Equipment Failure	Storage Tank Overfill	Equipment Failure	Human Error	Equipment Failure	Damaged Package	Improper Packaging	Accident	Equipment Failure	Road Debris	Vehicle Overfill
U.S. Package Operations	1	1	1	1	1	0	2	9	3	23	27	8	2
Supply Chain and Freight	0	0	2	0	0	1	0	0	0	4	2	6	4

### **KPI** Number of Reportable Spill Incidents to a U.S. Federal or State Environmental Agency

	2005	2006	2007	2008
U.S. Package Operations	42	33	49	82
Supply Chain and Freight	n/a	n/a	26	17

The number of reportable spill incidents is a Key Performance Indicator (KPI) for UPS because the number of reportable spill incidents has increased in our U.S. Package Operations in each of the past two years. A spill or release at a facility or from a motor vehicle is reportable if it enters into a navigable waterway or adjoining shoreline of the United States, providing that the release meets a given set of criteria. The total number of incidents also includes any spills from vendors operating on UPS property, such as during delivery of fuel.

## 7.7 Environmental Management System continued

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Stakeholder: Earth Day Network

### Kathleen Rogers

President, Earth Day Network



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Earth Day Network will celebrate the 40th anniversary of Earth Day in 2010, but our focus on youth keeps us young. There are approximately 105,000 schools in the United States for children in kindergarten through twelfth grade, and we have 100,000 Earth Day coordinators active in those schools. Earth Day Network has also expanded into 180 countries around the world. We keep seeing that the way to change society with regard to the environment is to reach out to kids. They're open, they're teachable, and they have their whole lives ahead of them to act on what they learn.

For all these reasons, we were open to becoming one of the first environmental organizations to work with UPS as a philanthropic partner. They are global, they hire many young people, and they go about making their business more earth-friendly in a calm, straightforward way. We had substantial discussions with UPS to assess their authenticity and commitment to environmental education, and we found strong alignment on goals and values.

For example, Earth Day Network is good at taking successful local programs and expanding them to the country and the world. UPS connected us with the Clean Air Campaign of Atlanta, Ga., which it supports in cutting vehicle emissions associated with schools. We're now taking that good local model nationwide. This showed us that UPS is not looking at the environment as a marketing opportunity; like us, they want practical results now that also change behavior for the long term.





## 8.0 Social Responsibility

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In this section of the Report, we present information regarding relationships between UPS and its employees, its suppliers, and its communities. We approach all our social relationships with respect and willingness to engage. This year we have included statements from a range of representative outside stakeholders, some working at the grass-roots level and others seeking global impact. We have also included corresponding statements from some of our own employees, to help illuminate how we engage with our stakeholders not just as an organization, but as people. We encourage you to visit the UPS sustainability website at [sustainability.ups.com](http://sustainability.ups.com) to learn more about all our programs and progress in the area of social responsibility.

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- 8.1 Develop People
  - 8.2 Promote Safety and Wellness
  - 8.3 Embrace Diversity and Human Rights
  - 8.4 Support Communities

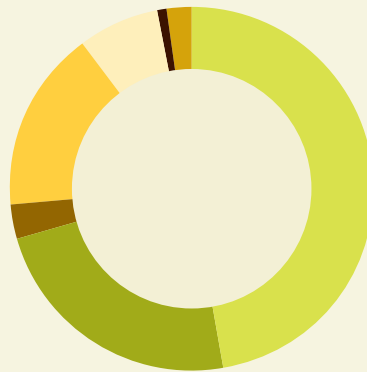
# 8.1 Develop People

While UPS has long been in the forefront of using technology and equipment to facilitate commerce, there is simply no substitute for people when it comes to picking up, sorting, loading and delivering millions of packages on a daily basis. That's why UPS is one of the world's largest employers. We also have a large part-time workforce, a total of 189,400 people at the end of 2008. Much of our part-time work comes in bursts of activity at the beginning and end of the business day around the world and during the holiday season.

Our century of reliance on people has produced a strong commitment to develop them as individuals. This commitment includes multiple dimensions: fair compensation, high-quality training, opportunities for education, open doors for promotion, and encouragement to become owners of UPS shares. In addition, we offer extensive training and development opportunities, including tuition assistance, that are tailored to both full-time and part-time people.

## Global Full-Time Workforce

As of December 31, 2008

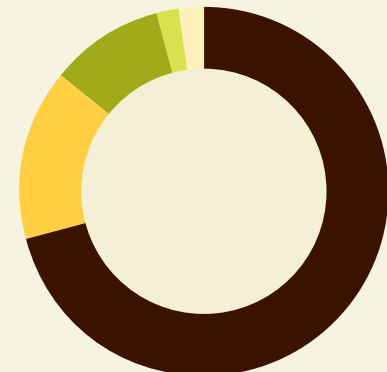


Total Full-Time Employees: 236,500

<span style="display:inline-block; width:15px; height:10px; background-color:#90EE90; border:1px solid black;"></span>	111,700	Drivers
<span style="display:inline-block; width:15px; height:10px; background-color:#6B8E23; border:1px solid black;"></span>	53,400	Administrative and Clerical
<span style="display:inline-block; width:15px; height:10px; background-color:#FFC300; border:1px solid black;"></span>	38,500	Management
<span style="display:inline-block; width:15px; height:10px; background-color:#FFDAB9; border:1px solid black;"></span>	16,300	Other
<span style="display:inline-block; width:15px; height:10px; background-color:#8B4513; border:1px solid black;"></span>	7,000	Mechanics
<span style="display:inline-block; width:15px; height:10px; background-color:#D2691E; border:1px solid black;"></span>	6,700	Specialists
<span style="display:inline-block; width:15px; height:10px; background-color:#3B2121; border:1px solid black;"></span>	2,900	Pilots

## Global Part-Time Workforce

As of December 31, 2008



Total Part-Time Employees: 189,400

<span style="display:inline-block; width:15px; height:10px; background-color:#3B2121; border:1px solid black;"></span>	133,900	Package Handlers
<span style="display:inline-block; width:15px; height:10px; background-color:#FFC300; border:1px solid black;"></span>	27,500	Management
<span style="display:inline-block; width:15px; height:10px; background-color:#6B8E23; border:1px solid black;"></span>	18,800	Administrative and Clerical
<span style="display:inline-block; width:15px; height:10px; background-color:#FFDAB9; border:1px solid black;"></span>	4,750	Others
<span style="display:inline-block; width:15px; height:10px; background-color:#90EE90; border:1px solid black;"></span>	4,450	Drivers

## 8.1 Develop People continued

### Global Workforce

As of December 31, 2008

United States	353,500
International	72,400
Employees Worldwide	425,900

#### COMPENSATE FAIRLY

We believe that a competitive compensation and benefits package is essential to attract and retain good workers. In 2008, we added an automatic enrollment feature to the UPS Savings Plan, which is our 401(k) for U.S. employees who are not covered by a collective bargaining agreement. Short-term results have been positive, with 92 percent of eligible employees automatically enrolled. In other words, only eight percent of employees opted out. More information on our benefits programs is provided in our discussion of Safety and Wellness. Another dimension of compensation at UPS involves unions, which represent approximately 62 percent of our employees. We negotiate with the unions in good faith, and we fulfill our agreements with them.

#### TRAIN EFFECTIVELY

We invested more than US\$423 million in employee training in 2008, above our five-year average of US\$316 million. As in the past, a substantial amount of this investment was in training for safety on the job. You can read about our safety training in the discussion of Safety and Wellness in section 7.2.

#### PROVIDE OPPORTUNITIES FOR EDUCATION

Tuition assistance is available to full-time and a substantial number of part-time employees. In particular, college students are an important source of part-time workers for UPS. They constituted 59 percent of our part-time employees in 2008, compared to 58 percent in 2007. To help them balance work and school, our Earn and Learn program provides tuition assistance while they work part-time at UPS. In 2008, the program's tenth year, we provided US\$28 million in tuition support to approximately 25,000 students working in 90 locations. Since the program began in 1999, we have invested US\$136 million in tuition assistance to approximately 107,000 college students.

#### 40 YEARS OF COMMUNITY INTERNSHIPS

UPS managers can take advantage of yet another form of education, one that is often lacking in a school setting: learning community service from the inside out. Our Community Internship Program (CIP) takes UPS managers out of their offices and puts them to work in nonprofit community organizations

for four weeks. They learn how these organizations serve their communities, why community members rely on them, and what corporate responsibility means on a day-to-day, person-to-person basis. They also develop their abilities to learn quickly, empathize with diverse peoples, communicate effectively, and solve problems without the resources they are used to in a corporate setting. We have conducted this program for more than 40 years. Since 1968, more than 1,400 management employees have participated in this program, living in inner cities and small towns in the United States. For more information on this program and its effects on those who participate, please see the next page.

#### PROMOTE FROM WITHIN

UPS has promoted from within for generations. This includes part-time workers moving into full-time positions; non-management employees moving into management positions; and supervisors and managers moving into positions of greater responsibility. Well over 50 percent of our current full-time drivers were once part-time employees, and more than 75 percent of our full-time managers (including most vice presidents) were once non-management employees. In 2008, 4,551 part-time employees advanced to full-time work with UPS, and 8,237 employees moved into management for the first time. Additionally, at UPS the trend is to develop local employees to manage and grow our international operations. In 2008,

## 8.1 Develop People continued

Stakeholder: Community Internship Program

### Rafael Jaquez

Program Coordinator, Children's Aid Society, New York City



I am a product of Henry Street Settlement. It was my home away from home for eight years, when I was one of six kids in an immigrant family from the Dominican Republic. During that time, UPS began its Community Internship Program (CIP). I was very aware of the people from UPS coming to the lower east side in those years. Now I take time each summer to help direct the CIP for Henry Street. In 2008, we celebrated the program's 40th anniversary.

We design our program to show UPS interns how a community works its way through major issues, such as crime, teen pregnancy and homelessness. We explode the myths and stereotypes they have, and get them working closely with members of the community every day for weeks. At first they bring their UPS professionalism to whatever they do, working hard with a good attitude. After a few weeks, they start to bring their humanity as well. That's when the real change happens.

The true marriage of public and private sectors occurs when each side becomes human to the other. Then people are not tackling a challenge together despite their differences, they are tackling the challenge and their differences at the same time. They are achieving something together, and letting it change them in the process. We don't usually think that corporations focused on profit want to be part of this marriage, but some of them do. I see it every summer at Henry Street, and every year I still say to myself, this is amazing.

UPS: Community Internship Program

### Mike Harrell

Operations Manager, UPS Freight, Europe



I became interested in the Community Internship Program (CIP) after people at UPS described it as an opportunity of a lifetime. They were right. Henry Street Settlement was a good match for me because it has a long heritage of helping immigrant populations, and I've spent much of my career abroad as an outsider learning to fit in. The director of the program keeps it relevant—he added the Lower East Side Ecology Center to our program this year because the environment is a hot topic for UPS.

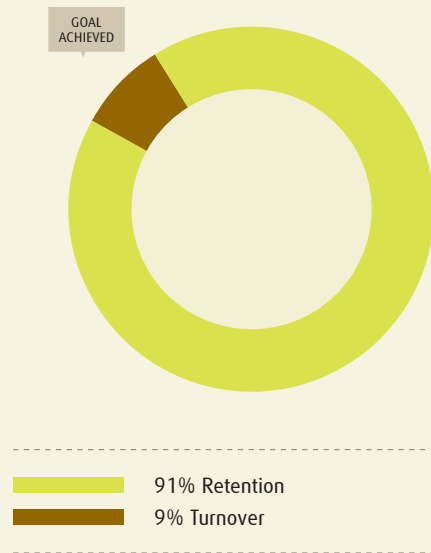
During my four weeks at Henry Street, I learned a tremendous amount about how community services work in the United States, from day care centers to the criminal justice system. I also discovered that people at nonprofits share many of the same challenges as corporate managers: hitting targets, doing things more efficiently, showing that we deserve our budgets. The people running the services were happy to find out that the corporate world has to work at these things, too.

I took some new perspectives with me when I went back to work. For one thing, when something's not quite right with an employee, I don't just assume that it's not my business. Now I'm open to understanding what's behind it, and how I might help. I'm also determined to create a CIP in Europe, where I am working now. I think many people would like to have this kind of experience, but they don't know where to begin. The CIP program opened the door for me, and I want to open it for others.

## 8.1 Develop People continued

### **KPI** Employee Turnover Global Workforce

We created a KPI for employee retention in 2002. In 2008, we changed the KPI to focus on turnover rather than retention, because turnover is a more internationally accepted reporting category. As shown in the graph below, full-time employee turnover was 9 percent in 2008, significantly exceeding our goal of 13 percent. The rate for 2008 was also below each of the past two years. Within our part-time workforce, turnover declined to 45.7 percent from 55.4 percent in 2007. While economic uncertainties in 2008 undoubtedly played a role in lower turnover, we actively encourage our employees to stay with UPS regardless of economic conditions. The average length of employment for part-time employees increased in 2008 to six years. The average management employee at UPS has worked for the company more than 15 years.



fewer than one percent of our global managers were working outside their countries.

#### **ENCOURAGE OWNERSHIP**

Alignment of employee and company goals is a hallmark of UPS. For its first 90 years, UPS was privately owned primarily by its employees. We began sharing profits with employees in the 1950s. Today we offer multiple stock ownership programs for employees, including, in some countries, a discounted purchase plan. In 2008, approximately 45 percent of full-time employees were shareholders. Shares in UPS began trading publicly on the New York Stock Exchange in 1999.

#### **EMPLOYEE SATISFACTION**

At UPS, we devote two of our Key Performance Indicators (KPIs) to broad measurements of employee satisfaction: the first is turnover, and the second is employee response to our “employer of choice” survey. We value these metrics highly because our business is so dependent on people and the training we invest in them. Our goal for full-time employee turnover, excluding our freight employees, was 13 percent in 2008, and actual turnover was nine percent. (See chart at left.) We believe that this low level results from an overall philosophy of long-term employment, which includes all the factors described in the paragraphs above. We seek to provide working conditions and compensation and benefits that give employees incentives to remain with UPS as long as

possible. Unlike many other companies, we do not resort to job cuts as a primary cost-reduction measure when business cycles turn negative; instead we look for ways to keep our people employed and find new growth opportunities for them.

The data for our employer of choice KPI comes from our formal survey of our workforce, known as the Employee Opinion Survey. The survey includes a set of questions focused on UPS as an employer of choice. We did not conduct the Employee Opinion Survey in 2008. We postponed the survey so we could update the questions to ensure they are relevant to changes in our business, reflect the opinions of our employees, and measure the engagement of our employees. Our 2007 Employee Opinion Survey showed that 75 percent of UPS employees consider the company an employer of choice. Ninety-five percent of our available employees participated in the 2007 survey.

## 8.2 Promote Safety and Wellness

### OUR FOCUS ON SAFETY

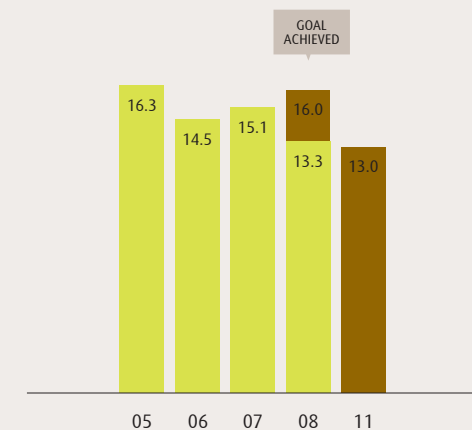
Approximately 82 percent of UPS workers are involved in freight and package handling, driving motor vehicles, or both. To perform these jobs safely, people need specific skills and abilities that maximize their performance while minimizing their exposure to injury. In 2008, we invested US\$52 million in teaching 56 formal safety training courses in more than 1,800 facilities. Our workers spent approximately 1.3 million hours in safety training in 2008. One highlight of this investment is our new “UPS Integrad®” training program, which is profiled in section 6.8.

In addition to training our people, we continually increase the safety of the facilities they work in and the equipment they use. In 2008, we invested millions in upgrading and improving facilities and equipment from a safety perspective. Many of the ideas for these improvements and upgrades come from our Comprehensive Health and Safety Process (CHSP) members. There are more than 3,700 CHSP committees in UPS facilities worldwide, and they are employee driven and management supported. Non-management employees serving on CHSP committees constitute approximately 10 percent of the total UPS workforce. In addition to the CHSP process, approximately 350 employees at UPS work full time to protect the health and safety of UPS employees.

### KPI Auto Accident Frequency per 100,000 Driver Hours

The KPI for package car driver safety is shown in the graph below. This KPI is unchanged compared to prior years. Note that we calculate auto accident frequency differently than most transportation companies, in two important ways. First, we report all accidents, not just those defined as “reportable” by government agencies. Second, we report the rate per 100,000 driver hours rather than one million driver hours. This is because our drivers must navigate traffic-intensive routes in congested urban areas, while long-haul truckers spend the majority of their time on open roads and highways. Data for 2005 and 2006 is U.S. only.

Actual Data  
Goals



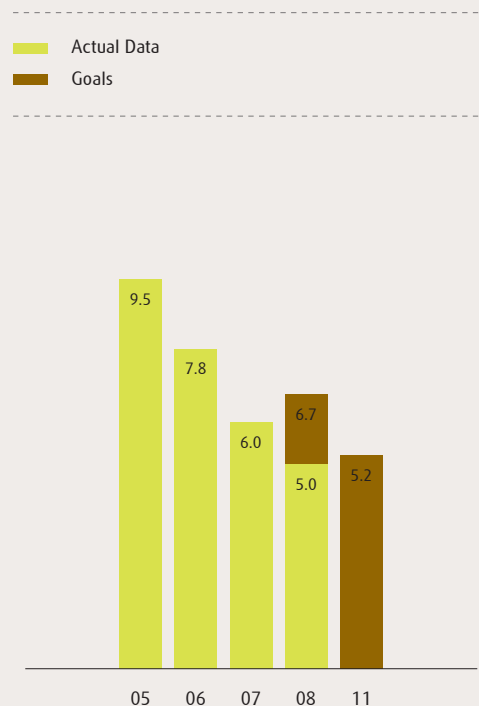
### DRIVING SAFELY

Because we operate approximately 100,000 delivery vehicles on a daily basis all over the world, safe driving is a major focus for UPS. We measure both our successes and challenges in this regard. On the positive side, for example, 715 more drivers entered the UPS “Circle of Honor” in 2008 in recognition of driving 25 years without an avoidable accident. The Circle of Honor now includes 4,648 drivers who have achieved this remarkable record. Unfortunately, we also deeply regret the fatal accidents that claimed the lives of six UPS employees in 2008. This total represents 0.18 fatalities per 100 million miles driven in our global operations. Whenever an accident occurs, we invest significant management attention in investigating the causes, retraining the driver(s), and, as appropriate, changing our procedures and safety training.

## 8.2 Promote Safety and Wellness continued

### **KPI** Days Away, Restricted or Transferred Duty (DART)

Global Operations, Days away from work, restricted activity, or transferred to another job due to an on-the-job injury. This number represents the number of occurrences per 200,000 hours worked. Data for 2005 and 2006 is U.S. only.



### AVOIDING INJURY

One of our new KPIs for 2008 is shown at left. It measures days away from the job, or with restricted or transferred duty, as a result of injury. This metric replaces a previous KPI measuring lost-time injuries per 200,000 hours. We made the change for two reasons. First, we had achieved our 2007 goal with the previous KPI. For example, we have reduced injuries in the United States by 30 percent in the last five years even while our workforce has grown significantly. More importantly, we wanted our new KPI to reflect the actual impact of injuries on our business—time lost rather than simply the number of injuries.

### WELLNESS

In 2008, UPS provided health benefits for more than 725,000 employees, retirees, and their dependents. Our benefits programs provide medical, dental, and vision care as well as education programs and tools regarding healthcare and proactive wellness programs. The goal of these programs and tools is getting our people to take wellness personally, by making informed choices in how they live and respond to wellness challenges. We also seek to reduce overall healthcare costs for UPS.

One of the characteristic qualities of UPS wellness programs is an emphasis on matching employees with individuals who can help them. We learned the power of this approach with our “health coaches” program, which gives UPS employees access to registered nurses

who provide confidential assistance in understanding healthcare issues and navigating the healthcare system. UPS health coaches helped more than 11,500 employees and family members in 2008. In 2007, we launched a smoking cessation program that includes a “quit coach” for every smoker who wants to stop. More than 2,200 people enrolled in the program in 2008; with the help of their coaches, they achieved a 42 percent responder quit rate—far above average.

We took the coaching approach to the next level in 2008 with our “Wellness Champions” program. More than 3,600 UPS employees at all levels of the company are Wellness Champions in their facilities or locations. We provide them with a wide range of tools and resources for informing their co-workers about health risks and encouraging them to adopt new behaviors to prevent or offset them. Each month in 2008 was dedicated to a different health risk, and Wellness Champions put up posters, hung calendars, organized classes, led activities, and supported their co-workers in changing their health habits. Whether it was helping a runner achieve a new distance or taking a desk-bound worker to a yoga class after work, Wellness Champions were everywhere at UPS in 2008.

Especially during difficult times, our Employee Assistance Program (EAP) and Work/Life benefit play a significant role in our overall wellness program. More than 100,000 UPS employees

## 8.2 Promote Safety and Wellness continued



Drinking water is one way driver Tim Pruitt stays healthy while on the job. A Circle of Honor driver with 29 years of safe driving, Pruitt also is co-chair of a health and safety committee at a UPS operating facility.

and/or household members have benefited from the program since its inception in 2006. The program provides practical information, referrals to trained professionals and support for a wide-range of work/life issues from financial concerns and child-care to substance abuse and bereavement. In the transportation industry, companies that offer these benefits—including UPS—find that participants report a 46 percent increase in attendance and a 66 percent increase in productivity.



## 8.3 Embrace Diversity and Human Rights



Julie LaSalle, communications manager.

UPS is one of the largest and most multinational private employers in the world, and we succeed by hiring and developing talented, motivated individuals. As a logical consequence of these two factors, we are becoming an ever-more diverse company.

At UPS, diversity encompasses more than race and gender. It also extends to ethnicity, sexual orientation, and physical ability. Inclusiveness, respect, and cooperation are core values that help drive the way we do business with our customers and suppliers. These values strengthen our bonds with a multicultural community of friends and neighbors.

### **WOMEN'S LEADERSHIP DEVELOPMENT**

Entry-level positions in our business, such as for drivers and package loaders, have traditionally attracted more men than women. Coupled with our focus on promoting from within, this has created a particular need for UPS to develop and retain women for supervisory and management positions. Our Women's Leadership Development program, which we expanded internationally in 2008, meets this need in three ways:

- Creating meaningful dialogues between women and men regarding workplace issues.
- Opening avenues for women to build their leadership skills through community service.
- Providing opportunities for women to expand and strengthen their career networks.

## 8.3 Embrace Diversity and Human Rights continued

### Global Full-Time Workforce

As of December 31, 2008

Women as a percentage of officers and managers	29%
Minorities as a percentage of officers and managers	31%
—Asian	4%
—Black	17%
—Hispanic	9%
—Native American/Other	1%
Women on the Board of Directors	18%
Minorities on the Board of Directors	9%

More than 27,000 employees participated in the program through 2008.

#### SUPPLIER DIVERSITY

UPS launched its first formal supplier diversity initiative in 1992. Since then we have worked hard to identify, attract, and work with diverse suppliers. In 2008, we spent US\$700 million with minority and women-owned enterprises and small businesses, which represents 5.08 percent of our total eligible procurement spending during the year. These figures are both increases compared to 2007. One highlight was the expansion of our UPS Worldport® distribution center. In 2008, we spent US\$98 million with Minority and Women-owned Business Enterprises and small-business suppliers working on Worldport—approximately double our original target. During the year we also expanded our supplier diversity programs to include businesses owned by gay, lesbian, bisexual, and transgender individuals. For more information on how UPS works with diverse suppliers, please see the stakeholder statements in section 6.2.

In the United States, we actively participate in the following associations working for supplier diversity:

- National Association of Women Business Owners
- National Gay and Lesbian Chamber of Commerce
- National Minority Supplier Development Council
- National Urban League

- National Veteran-Owned Business Association
- Native American Business Alliance
- U.S. Hispanic Chamber of Commerce
- U.S. Pan Asian American Chamber of Commerce
- Women’s Business Enterprise National Council

Internationally, we are actively exploring ways to increase our focus on diversity and inclusion in ways that are germane to our employees and the communities in which we operate.

#### COMMUNITY DIVERSITY

The UPS Foundation made diversity one its five strategic focus areas in 2008, and provided US\$8.9 million in associated financial support. The 247 recipients of diversity-related grants ranged from the Special Olympics and Paralyzed Veterans of America to the National Urban League.

#### HUMAN RIGHTS COMMITTEE AND STATEMENT

In 2008, UPS formed a committee on human rights to draft a statement on human rights for completion and adoption in 2009. We intend to formally adopt the statement in 2009, and include it in our Code of Business Conduct, and incorporate it into relevant business practices.

## 8.4 Support Communities

UPS supports communities with direct philanthropy, in-kind donations, by facilitating employee/retiree donations to United Way, and through volunteer work by UPS employees and their families. While much of this support takes place at the community level, UPS also seeks to achieve regional, national, and international impact by aggregating and focusing money and time where it can make the most difference. We also sharpened the focus of our corporate philanthropy, by setting new priorities for The UPS Foundation.

### THE UPS FOUNDATION

The Foundation manages its grants globally and locally. In 2008, its grants totaled US\$46.9 million. Funding directed outside the United States rose to 13 percent of the total from 10 percent in 2007, and approximately 50 percent of Foundation grants went to local agencies supported by UPS employees who volunteered at the agencies' programs or facilities. Foundation giving in 2008 exceeded the level in 2007. In addition to funding more than 4,800 nonprofit agencies, the Foundation coordinated in-kind transportation movements with a cost value of US\$1.0 million. Total charitable contributions and a break-out of in-kind donations are shown at right. United Way donations are charted on page 94.

### REALIGNED FOUNDATION FOCUS AREAS

During the year, the Foundation strategically realigned its giving with sustainability principles

### KPI Total UPS Charitable Contributions

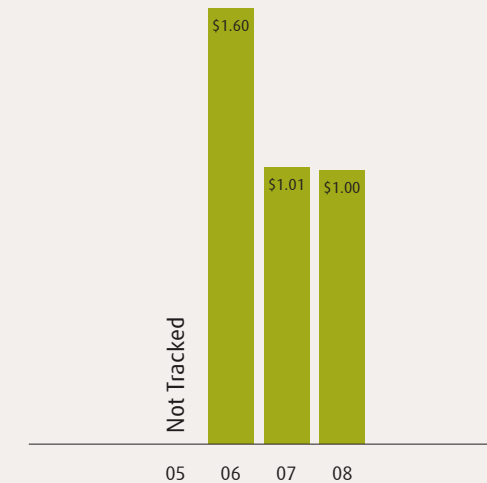
Total charitable contributions includes The UPS Foundation donations, employee United Way donations, and in-kind giving valued at cost (lower than retail value). Data for 2008 are absolute values, in accordance with generally accepted reporting standards. Data for prior years were calculated on a five-year rolling average. The 2011 goal for total charitable contributions is US\$103.5 million. The number for 2008 giving includes The UPS Foundation grants plus United Way contributions.

Charitable Contributions (in millions)  
Goals



### Total In-Kind Transportation Movements—Global

Charitable Contributions (fair value in millions)



## 8.4 Support Communities continued



### The UPS Foundation Gives Green

Photo: A UPS Mexico employee volunteers with Naturalia AC, a civil organization dedicated to preserving ecosystems.

The UPS Foundation, founded in 1951, keeps evolving. In 2008, the Foundation announced new priorities for its financial funding, aligning them with UPS sustainability principles. One of the most significant changes arising from this realignment is the beginning of grant-making in support of environmental sustainability.

These investments reflect and complement many initiatives under way inside UPS to be more environmentally responsible. This is a way to export that value and experience to communities through funding and volunteerism.

“Protecting the environment is increasingly important to our company, to our customers, our employees and the communities in which we operate around the world, so it is a natural fit for the Foundation,” says Ken Sternad, president of The UPS Foundation. In October of 2008, the Foundation put its new priority into practice, announcing five grants totaling more than US\$1 million. They include:

- US\$300,000 to The Nature Conservancy to assist with tree planting efforts in the Atlantic Forest of Brazil, conservation initiatives for rural residents in the Yunnan Forest in China and reforestation efforts in East Africa’s Highland Forest.
- US\$300,000 to the Earth Day Network to support its national civic engagement project to educate youth about environmental issues and provide teachers with lesson plans and environmental impact online tools.
- US\$220,000 to Keep America Beautiful (KAB) to support its environmental education initiatives, including the creation of KAB affiliates on college campuses, support for a community volunteer initiative, a challenge grant for KAB affiliates and an environmental partnership grant for UPS Global Volunteer Month to encourage employee participation.
- US\$200,000 to the National Park Foundation to fund youth-engagement programs, including First Bloom, which provides children in urban locations (grades 4 through 6) with hands-on environmental learning.
- US\$50,000 to the Arbor Day Foundation to plant one tree for each of the first 50,000 UPS customers to begin using UPS electronic billing solutions, which eliminate the need for paper invoices.

## 8.4 Support Communities continued

of UPS, to further strengthen the ties between the Foundation, the company, and the communities they both serve. The five focus areas are as follows:

- **Community safety:** programs range from teen safe driving programs in local communities to helping strengthen disaster relief logistics globally.
- **Nonprofit effectiveness:** helping community-based organizations improve their volunteer management, leadership development, fund-raising capacity and operational efficiency.
- **Economic and global literacy:** helping globalization produce social and economic progress for all, through microlending and other innovative programs.
- **Environmental sustainability:** supporting organizations and activities focused on environmental education and conservation.
- **Diversity:** helping communities thrive by embracing and leveraging the unique experience, cultures and ideas of their people.

As part of this strategic realignment of philanthropy priorities, the Foundation gave its first large environmental grants in 2008. For more information on these ground-breaking grants, please see the previous page. Information on disaster relief activities is provided later in this section.

UPS began supporting micro-lending in 2007, awarding US\$1 million to three global organizations that help individual entrepreneurs start businesses, create jobs, build assets and improve the standard of living for their families. In 2008, the three organizations began reporting on how the grants were making a difference in their progress:

- Opportunity International is helping nearly 5,000 entrepreneurs in 15 developing countries.
- ACCION International works with partners in 25 countries to reach more than three million active clients with loans and financial services.
- FINCA International extends credit to 1,400 micro-entrepreneurs in 21 countries.

### GLOBAL SIGNATURE PROGRAM

The UPS Global Signature Program is a six-year, US\$3.1 million partnership between The UPS Foundation and the World Association of Girl Guides and Girl Scouts (WAGGGS). This funding helped WAGGGS increase the recruitment and retention of volunteers, support volunteers through training and self-development, and introduce a system to monitor and appraise volunteer leadership in Brazil, China, Malaysia, Mexico, and South Africa. In 2007, The UPS Foundation launched a second phase of funding by authorizing US\$1.5 million over the next three years in an effort to increase the WAGGGS network's capacity to engage volunteers effectively and contribute to a culture of volunteerism around the world.

### EMPLOYEES AND LOCAL ACTION

Just as our employees are vital to the success of UPS as a business, they are a powerful force for community action. During 2008, UPS employees and their family members donated more than one million volunteer hours to their communities through our Neighbor to Neighbor program. In October, our Global Volunteer Month, more than 30,000 UPS employees volunteered 139,000 hours of time in their communities. The focus for the month was the environment. In 2009, employees will be able to use a new intranet system to find volunteer opportunities and track their hours.

Another highlight of UPS volunteerism in 2008 was our annual Jim Casey Community Service Award, named after our founder and given to a UPS employee whose volunteer work has been especially notable. Every year the award process helps us identify and recognize numerous candidates who have made a clear, measurable difference in their communities. In 2008, the ultimate recipient of the award was “Andy” Jinchang He of Guangzhao, China—our first winner outside the United States. His story is included later in this section. For more information, please see page 93.

## 8.4 Support Communities continued

Stakeholder: World Assoc. of Girl Guides and Girl Scouts



### Rebecca Munro

Communication and Advocacy Director, WAGGGS

WAGGGS (World Association of Girl Guides and Girls Scouts) has 10 million members active in 145 countries around the world. We embrace so many different circumstances and cultures because of our common commitment to making the world a better place and our belief that girls are at the centre of this positive change.

Our mission is to enable girls and young women to develop their fullest potential as responsible citizens of the world. We are helped in this endeavor by many dedicated partners, and we contribute to the global campaigns of our partners, such as helping the United Nations achieve the Millennial Development Goals.

With our partners, we create and implement programs that empower girls to develop their own values and knowledge and equip them with the skills to help their communities. This is not a short-term fix, but rather a deep and sustainable grass-roots method.

UPS has a similar perspective, which is one of the reasons our partnership has been successful. They offer skills and support along with their funding, because they understand that any partnership between a corporation and an organization like ours has to have reciprocity and recognition of mutual benefit. We both want to develop opportunities for girls and women and increase volunteerism around the world, and together we can have a greater impact. This alignment has created a connection between our organizations that allows us to develop ambitious programs, roll them out internationally, and operate them successfully.

UPS: World Assoc. of Girl Guides and Girl Scouts



### Eduardo Martinez

Director, Programs and Corporate Relations, The UPS Foundation

The UPS Foundation selected WAGGGS for its Global Signature Program after an exhaustive review of potential partners. UPS continues to become a more diverse organization all the time, and we wanted to partner with an organization that truly represents our world. There are not many that can gather representatives from 145 countries in one room, which I experienced when I spoke at the WAGGGS 33rd World Congress in 2008 in South Africa. I also saw that their organization embraces the whole spectrum of races and religions.

UPS employees have shown an extraordinary dedication to volunteering in their communities, and we wanted a partner that would open up new volunteer opportunities for them and others around the world. WAGGGS has more than 10 million members doing volunteer work, and they excel at working with third parties to make a difference in their communities. When I visited Soweto in South Africa, the WAGGGS center was clearly an oasis of calm and strength in a community struggling with so many challenges.

One of the most powerful forces on our business is globalization, and we see evidence every day that women are taking on a greater role in the global economy. WAGGGS is preparing girls and women for leadership of all kinds: economic, social, and political. Working with them is teaching us a tremendous amount about a whole generation of future entrepreneurs, and that is helping us to see both globalization and women's leadership development from a fresh perspective. We are gratified by the success of the partnership so far, and look forward to what we can still achieve together.

## 8.4 Support Communities continued



### UPS Volunteer of the Year Hails from Guangzhou, China

Photo: UPS Volunteer of the Year, Andy Jinchang He, Driver, Guangzhou City, China.

As UPS has expanded internationally, so has its spirit of volunteerism. In 2008, the winner of the company's top global community service award was Andy Jinchang He of Guangzhou, China—the first non-U.S. employee so honored.

Andy, a delivery driver, was recognized for his personal outreach efforts to rural communities in Guangdong Province where he is helping school children, mentally challenged children and the elderly. In addition to winning the Jim Casey Community Service Award from UPS, Andy has been honored by the city of Guangzhou and the Guangdong provincial government.

One of Andy's noteworthy accomplishments was founding a literacy project called "One Person, One Dictionary." He collected 1,200 dictionaries so that children in rural villages, many of whom live far from their schools, would not have to be without a dictionary when they were studying at home. He also volunteers his time to provide companionship and entertainment for mentally challenged children at the Xin Fu Children's Welfare House and for elderly inhabitants of Guangzhao. Somehow he also finds time to collect and deliver donations for the elders' care.

"Andy's selfless dedication to those in need truly embodies the spirit of community service that this award recognizes," says UPS Chairman and CEO Scott Davis. "He has served as a rallying point for others, including his fellow employees, and his efforts inspire us all."

## 8.4 Support Communities continued

### Total Employee and Retiree United Way Donations

Excludes UPS Freight.



#### UNITED WAY CONTRIBUTIONS

Along with their time, UPS employees donate funds to our annual United Way campaign. More than 249,000 employees participated, donating nearly US\$53 million. The UPS Foundation contributed US\$8 million, for a total of US\$61 million. As a result, UPS was the leading corporate contributor to the United Way for the eighth straight year. Since its first campaign in 1982, UPS and its employees and retirees have given more than US\$930 million.

#### DISASTER RELIEF

Each year, UPS provides both funding and expertise to agencies providing humanitarian aid and disaster relief around the world. As part of our philanthropic focus on community safety, we have also provided logistics expertise to public agencies, most notably the U.S. Federal Emergency Management Agency (FEMA).

In 2008, UPS stepped up its contribution to global disaster relief by committing trained employees to on-the-ground logistics efforts—along with our fleets of planes and trucks that have long delivered relief supplies to stricken regions. The new step came after the World Economic Forum and U.N. disaster relief specialists began discussing how to better coordinate public and private response to major natural disasters. Logistical support—delivering the right people and materials to the right places, at the right time, in the right way—is central to this effort. So

UPS began working with other companies in the logistics and transport industry to form Logistics Emergency Teams (LETs) in cooperation with the U.N. We also began identifying and training logistics specialists among our employees, who leave their regular jobs for four to six weeks to direct local operations in the disaster area. In 2008, UPS employees served on LETs in Haiti and in Bangkok. For information on LETs, please see the next page.

For the second year, UPS provided US\$500,000 plus in-kind support to help expand the Aidmatrix Network, which connects donors with relief agencies by posting the most urgent needs in a disaster zone.

As in the past, UPS continued to provide financial aid, and support to disaster relief agencies with whom we have long-standing relationships. In 2008, UPS gave US\$2.3 million in support preparedness, relief and long-term resource efforts. This included:

- US\$1 million pledged to the American Red Cross for disaster relief following hurricanes in China and the United States.
- US\$200,000 pledged to CARE for humanitarian aid to Myanmar following tropical cyclone Nargis.
- US\$125,000 pledged to Africare, primarily to support implementation of an HIV/AIDS-related Volunteer Service Corps nutrition program in five countries.



## 8.4 Support Communities continued

Stakeholder: Logistics Emergency Teams

### Shruti Mehrotra

Associate Director, World Economic Forum



Before the tsunami in 2004, logistics companies were contributing to disaster relief by working with individual agencies on a bilateral basis. After the tsunami, it became clear that the world needed a more coordinated approach to massive delivery of humanitarian aid. The World Economic Forum is a multi-stakeholder platform for bringing organizations together to address challenges like this, and we initiated a discussion in 2005 with private companies, non-governmental organizations, and the United Nations.

The result of that dialog has been far-reaching. Now the U.N. Office of Coordination of Humanitarian Assistance employs a “cluster process” that organizes all the parties, public and private, which are providing similar kinds of disaster relief, whether it is food aid, medical help, shelter or communications. Each cluster makes sure it is meeting the right needs at the right time using the organizations with the right capabilities.

The logistics cluster has been impressive in that the companies had a clear view of how to cooperate, and they put it into action. Their Logistics Emergency Teams (LETs) have already responded around the world, and other clusters are modeling their success. As one of the original participants, UPS has engaged in a multi-year process, identified and trained people, and committed resources on the ground in inhospitable environments—including places that do not represent big commercial markets for them. At the World Economic Forum, we consider this a progressive approach, the kind that supports our belief that companies are here to do good.

UPS: Logistics Emergency Teams

### John Vera

Health and Safety Manager, Americas Region, UPS



My LETs assignment in Haiti was eye-opening and will stay with me forever. It was a learning experience, not only regarding the logistics but also the human factors as well. I learned to be empathetic with people less fortunate than I—more compassionate with others and appreciative for what I have and what I have achieved.

There are so many things we take for granted in the United States, which these people have never had the good fortune to experience. I showered with soap and water on a daily basis, but many Haitian people don't even have running water. I was able to get into clean clothing yet many children in Haiti have never had a new pair of shoes. Despite the conditions after the hurricanes in 2008, I witnessed children walking to school in clean pressed uniforms and a street vendor selling vegetables to his customer with a glimmer of hope in his eye that foresees better days ahead. Even in a state of despair, the Haitian people are proud and welcoming and have unlimited gratitude for the assistance offered to them.

During my LETs assignment I met people from all over the world. We work for competing companies and many different organizations, and come from different places, cultures and backgrounds. Yet, we have many things in common. We have a similar sense of humor. We feel it when we see a child who is sick or in need. And when we join together to help our brothers and sisters in need, we become united as one.



## 9.0 Global Reporting Initiative (GRI)


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The Global Reporting Initiative (GRI-G3) serves as the foundation for compiling the UPS Corporate Sustainability Report. The GRI helps us to develop key performance indicators relevant to our business.

The 2008 report is based on the third generation of Global Reporting Initiative (GRI) guidelines known as GRI-G3. The GRI is an independent institution that provides a credible framework for sustainability reporting.

We believe that our 2008 reporting qualifies for the GRI scope “B” application level requirements. Last year, we made a mistake when completing the GRI-G3 Index. We met the requirements but inadvertently did not record disclosure in two required categories—human rights and product responsibility. This has been corrected in 2008.

# 9.1 GRI-G3 Index

LEGEND:		REPORT APPLICATION LEVELS:					
● Fully Reported	◐ Partially Reported	C	C+	B	B+	A	A+
○ Not Reported	N/A Not Applicable to UPS	Self Declared (Mandatory)					
		Third Party Checked (Optional)					
		GRI Checked (Optional)	(Optional)				

G3 INDICATOR	DESCRIPTION	DISCLOSURE	
<b>STRATEGY &amp; ANALYSIS</b>			
1.1	Statement from the most senior decision-maker of the organization about the relevance of sustainability to the organization and its strategy.	Letter from the Chairman; Section 2.0	●
1.2	Description of key impacts, risks and opportunities.	Letter from the Chairman; Sections 2.0 and 6.1, p. 37	●
<b>ORGANIZATIONAL PROFILE</b>			
2.1	Name of the organization.	Cover	●
2.2	Primary brands, products and/or services.	Section 6.1; 2008 Annual Report, Form 10-K, p. 5, <a href="http://investor.shareholder.com/ups">investor.shareholder.com/ups</a>	●
2.3	Operational structure of the organization, including main divisions, operating companies, subsidiaries and joint ventures.	Section 6.1; 2008 Annual Report, p.1-4, <a href="http://investor.shareholder.com/ups">investor.shareholder.com/ups</a>	●
2.4	Location of organization’s headquarters.	Section 6.1 p. 38; 2008 Annual Report, Form 10-K, p. 12; <a href="http://investor.shareholder.com/ups">investor.shareholder.com/ups</a>	●
2.5	Number of countries where the organization operates, and names of countries with either major operations or that are specifically relevant to the sustainability issues covered in the report.	Section 6.1, p. 38; 2008 Annual Report, Form 10-K, p. 12-13, <a href="http://investor.shareholder.com/ups">investor.shareholder.com/ups</a>	●
2.6	Nature of ownership and legal form.	2008 Annual Report, Form 10-K; <a href="http://investor.shareholder.com/ups">investor.shareholder.com/ups</a>	●
2.7	Markets served.	2008 Annual Report, Form 10-K, p. 1-5; <a href="http://investor.shareholder.com/ups">investor.shareholder.com/ups</a>	●
2.8	Scale of the reporting organization.	Section 5.0; 2008 Annual Report, Form 10-K; <a href="http://investor.shareholder.com/ups">investor.shareholder.com/ups</a>	●
2.9	Significant changes during the reporting period regarding size, structure or ownership.	2008 Annual Report; inside front cover and Letter from Chairman; <a href="http://investor.shareholder.com/ups">investor.shareholder.com/ups</a>	●
2.10	Awards received in the reporting period.	Section 4.3; UPS Pressroom, <a href="http://pressroom.ups.com">pressroom.ups.com</a>	●
<b>REPORT PARAMETERS</b>			
3.1	Reporting period for information provided.	Section 4.1	●
3.2	Data of most recent previous reports (if any).	Section 4.1; 2007 Sustainability Report, <a href="http://sustainability.ups.com">sustainability.ups.com</a>	●

## 9.1 GRI-G3 Index continued

G3 INDICATOR	DESCRIPTION	DISCLOSURE	
3.3	Reporting cycle.	Section 3.5	●
3.4	Contact point for questions regarding the report or its contents.	Sections 3.4 and 3.5	●
3.5	Process for defining report content.	Section 3.4/3.5	●
3.6	Boundary of Report.	Sections 4.1 and 7.1	●
3.7	State any specific limitations on the scope or boundary.	Sections 3.3, 4.1 and 7.1	●
3.8	Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations, and other entities that can significantly affect comparability from period to period and/or between organizations.	Section 4.1, p. 22	●
3.9	Data measurement techniques and the bases of calculations, including assumptions and techniques underlying estimations applied to the compilation of the Indicators and other information in the report.	Section 4.1	●
3.10	Explanation of the effect of any restatements of information provided in earlier reports, and the reasons for such restatement.	Section 9.0	●
3.11	Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report.	Sections 3.0, 3.1, 3.2, and 3.3	●
3.12	Table identifying the location of the Standard Disclosures in the report.	Section 9.1	●
3.13	Policy and current practice with regard to seeking external assurance for the report.	No external assurance, see Section 3.3, p. 16 for future plans	●
<b>GOVERNANCE, COMMITMENTS, AND ENGAGEMENT</b>			
4.1	Governance structure of the organization, including committees under the highest governance body responsible for specific tasks, such as setting strategy or organizational oversight.	Sections 5.0, 5.1 and 5.2	●
4.2	Indicate whether the Chair of the highest governance body is also an executive officer.	Section 5.1	●
4.3	For organizations that have a unitary board structure, state the number of members of the highest governance body that are independent and/or non-executive members.	Section 5.1; Director Independence page, <a href="http://investor.shareholder.com/ups">investor.shareholder.com/ups</a>	●
4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body.	Contact Board page, Investor Relations website, <a href="http://investor.shareholder.com/ups">investor.shareholder.com/ups</a>	●
4.5	Linkage between compensation for members of the highest governance body, senior managers, and executives (including departure arrangements), and the organization's performance (including social and environmental performance).	Compensation Committee Charter and Director Compensation pages, <a href="http://investor.shareholder.com/ups">investor.shareholder.com/ups</a> ; 2009 Proxy Statement, p. 16, <a href="http://investor.shareholder.com/ups">investor.shareholder.com/ups</a>	●
4.6	Process in place for the highest governance body to ensure conflicts of interest are avoided.	Section 5.1	●

## 9.1 GRI-G3 Index continued

G3 INDICATOR	DESCRIPTION	DISCLOSURE	
4.7	Process for determining the qualifications and expertise of the members of the highest governance body for guiding the organization's strategy on economic, environmental, and social topics.	Board of Directors includes people with broad knowledge and experience in the area of sustainability, <a href="http://investor.shareholder.com/ups">investor.shareholder.com/ups</a> ; 2009 Proxy Statement, p. 9, <a href="http://investor.shareholder.com/ups">investor.shareholder.com/ups</a>	●
4.8	Internally developed statements of mission or values, codes of conduct, and principles relevant to economic, environmental, and social performance and the status of their implementation.	Sections 5.3, p. 31 and 7.1, p. 51	●
4.9	Procedures of the highest governance body for overseeing the organization's identification and management of economic, environmental, and social performance, including relevant risks and opportunities, and adherence or compliance with internationally agreed standards, codes of conduct, and principles.	Sections 5.1 and 5.2; Corporate Governance, <a href="http://investor.shareholder.com/ups">investor.shareholder.com/ups</a>	●
4.10	Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental, and social performance.	The Board and its committees perform annual self-evaluations, <a href="http://investor.shareholder.com/ups">investor.shareholder.com/ups</a>	●
4.11	Explanation of whether and how the precautionary approach or principle is addressed by the organization.	Climate Change Statement Section 7.1, p. 51	●
4.12	Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organization subscribes or endorses.	Sections 4.4 and 7.1, p. 51; Code of Business Conduct, <a href="http://investor.shareholder.com/ups">investor.shareholder.com/ups</a>	●
4.13	Memberships in associations (such as industry associations) and/or national/international advocacy organizations.	Sections 3.2, 4.3, 5.4, 5.5, 7.1 p. 52 and 8.3	●
4.14	List of stakeholder groups engaged by the organization.	Section 5.5	●
4.15	Basis for identification and selection of stakeholders with whom to engage.	Section 5.5	●
4.16	Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group.	Section 5.5	●
4.17	Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns, including through its reporting.	Section 5.5	●
<b>ECONOMIC</b>			
EC1	Economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments.	2008 Annual Report, Form 10-K. Revenue US\$51,485,478,247; Comp & Benefits US\$26,063,438,893; Other US\$20,040,522,785; Operating Expense US\$46,103,961,678; Retained Earnings US\$12,411,787,751; Charitable Contribution Expense US\$28,026,340; Payments to Capital Providers (Interest Expense & Dividends) US\$2,660,593,221	①
EC2	Financial implications and other risks and opportunities for the organization's activities due to climate change.	UPS 2009 Carbon Disclosure Project Report, <a href="http://cdproject.net">cdproject.net</a>	●
EC3	Coverage of the organization's defined benefit plan obligations.	2008 Annual Report, Form 10-K, Note 5, p. 63, <a href="http://investor.shareholder.com/ups">investor.shareholder.com/ups</a>	●

## 9.1 GRI-G3 Index continued

G3 INDICATOR	DESCRIPTION	DISCLOSURE	
EC4	Significant financial assistance received from government.	Not Reported	○
EC5	Range ratios of standard entry level wage compared to local minimum wage at significant locations of operations.	Not Reported	○
EC6	Policy, practices and proportion of spending on locally based suppliers at significant locations of operation.	Our emphasis is on diversity spend rather than local. We do, however, track local, which is approximately 7-12 percent of total spend.	●
EC7	Procedures for local hiring and proportion of senior management hired from the local community at significant locations of operations.	We recruit, train and develop local management people to lead our operations. In 2008, out of 72,400 employees working in operations outside the U.S., fewer than 265 were foreign expatriates working in host countries, including only 65 U.S. expats. A majority of country leadership positions are held by managers hired locally.	●
EC8	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in kind or pro bono engagement.	Not reported	○
EC9	Understanding and describing significant indirect economic impacts, including the extent of impacts.	Section 6.0-6.8	●
<b>ENVIRONMENTAL</b>			
EN1	Materials used by weight or volume.	41,797 U.S. tons of packaging material globally	●
EN2	Percentage of materials used that are recycled input materials.	93% of the 41,797 U.S. tons contains recycled materials	●
EN3	Direct energy consumption by primary energy source.	Section 7.2, p. 53-58	●
EN4	Indirect energy consumption by primary energy source.	Section 7.2, p. 53-58	●
EN5	Energy saved due to conservation and efficiency improvements.	Section 7.2, p. 53-58	●
EN6	Initiatives to provide energy-efficient or renewable energy-based products and services, and reductions in energy requirements as a result of these initiatives.	Sections 7.2, p. 53-58 and 7.4, p. 62-67	●
EN7	Initiatives to reduce indirect energy consumption and reductions achieved.	Section 7.5, p. 68-70	●
EN8	Total water withdrawal by source.	Section 7.6, p. 72-74	●
EN9	Water sources significantly affected by withdrawal of water.	Not Applicable	N/A
EN10	Percentage and total volume of water recycled and reused.	Not Applicable	N/A
EN11	Location and size of land owned, leased, managed in or adjacent to, protected areas and areas of high biodiversity value outside protected areas.	Not reported	○
EN12	Description of significant impacts of activities, products and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas.	Not reported	○
EN13	Habitats protected or restored.	Not reported	○

## 9.1 GRI-G3 Index continued

G3 INDICATOR	DESCRIPTION	DISCLOSURE	
EN14	Strategies, current actions, and future plans for managing impacts on biodiversity.	Not reported	○
EN15	Number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk.	Not reported	○
EN16	Total direct and indirect greenhouse gas emissions by weight.	Section 7.2, p. 53-58	●
EN17	Other relevant indirect greenhouse gas emissions by weight.	Section 7.2, p. 53-58	●
EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved.	Section 7.2, p. 53-58	●
EN19	Emissions of ozone-depleting substances by weight.	Not Applicable	N/A
EN20	NOx, SOx and other significant air emissions by type and weight.	Section 7.4, p. 66	◐
EN21	Total water discharge by quality and destination.	Not Applicable	N/A
EN22	Total weight of waste by type and disposal method.	Section 7.7, p. 76	●
EN23	Total number and volume of significant spills.	Section 7.7, p. 76-77	●
EN24	Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention Annex I, II, III, and VIII, and percentage of transported waste shipped internationally.	Not reported	○
EN25	Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the reporting organization's discharges of water and runoff.	Not applicable	N/A
EN26	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation.	Sections 7.2, p. 53-58 and 7.4, p. 62-67	●
EN27	Percentage of products sold and their packaging materials that are reclaimed by category.	Not reported	○
EN28	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations.	Section 7.7, p. 76-77	●
EN29	Significant environmental impacts of transporting products and other goods and materials used for the organization's operations, and transporting members of the workforce.	Not reported	○
EN30	Total environmental protection expenditures and investments by type.	Not reported	○
<b>LABOR PRACTICES &amp; DECENT WORK</b>			
LA1	Total workforce by employment type, employment contract, and region.	Of our 426,000 employees, we have: 260,000 International Brotherhood of Teamsters, 2,900 Independent Pilots Association, 3,000 with International Association of Machinists and Aerospace Workers.	●
LA2	Total number and rate of employee turnover by age group, gender, and region.	Section 4.1 KPI-Employee Turnover	◐

## 9.1 GRI-G3 Index continued

G3 INDICATOR	DESCRIPTION	DISCLOSURE	
LA3	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operations.	Section 8.1	①
LA4	Percentage of employees covered by collective bargaining agreements.	UPS employs approximately 425,000 employees, of which 56% or 250,000 are members of the International Brotherhood of Teamsters. In addition, 2,200 employees are members of the Independent Pilots Association and 2,900 employees are members of the International Association of Machinists and Aerospace Workers.	●
LA5	Minimum notice period(s) regarding significant operational changes, including whether it is specified in collective agreements.	The collective bargaining agreement between UPS and the International Brotherhood of Teamsters requires a minimum of 45 days notice prior to any significant operational change. In addition, certain provisions in our Independent Pilots Association and International Association of Machinists and Aerospace Workers agreements have notice requirements if certain changes are made.	●
LA6	Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programs.	10 percent of UPS's total workforce participates in formal joint management-worker health and safety committees at the facility level. See also our safety information, section 8.2.	●
LA7	Rates of injury, occupational diseases, lost days and absenteeism, and number of work-related fatalities by region.	Section 8.2. In 2008, we experienced six fatalities company-wide. There were 1.03 fatal vehicle accidents per 100 million miles driven in our U.S. package operation. See also our safety Key Performance Indicator (Days Away, Restricted or Transferred Duty), section 4.1.	①
LA8	Education, training, counseling, presentation and risk-control programs in place to assist work-force members, their families or community members regarding serious diseases.	UPS employees and their families have access to extensive health benefits, including education programs, health counseling, and workplace safety programs. Some examples of our topics include smoking cessation, health assessments, drug counseling, diabetes management, high-blood pressure management, among many others. Details of those programs are on p. 38-39 in our 2007 Sustainability Report, <a href="http://sustainability.ups.com">sustainability.ups.com</a>	●
LA9	Health and safety topics covered in formal agreements with trade unions.	All of our collective bargaining agreements contain provisions that address the Health and Safety of our employees. These agreements include but are not limited to the following topics: Health and Safety Committees, hazardous materials handling, vehicle and personal safety equipment, accidents and reports, and others.	●
LA10	Average hours of training per year per employee by employee category.	UPS offers extensive training across all employee groups around the world. We are reporting U.S. data for hours per year for the following major employee categories: Middle management—109.36; front-line management—70.63; drivers—20.58; part-time non-management—10.43. These categories represent 86% of U.S. Operations employees. Total hours for all U.S. employees is 6,078,484; Section 6.8.	●
LA11	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings.	UPS provides skills and leadership training for the continued development of its management employees using both internal and external resources. Examples of internal programs include: New Management Orientation, Supervisor Leadership School, Manager Leadership School, Leadership Academy, Executive Leadership Seminar, and the Community Internship Program. External programs for continued development include access to online management and job specific courses, UPS Education Assistance Program, professional certifications, seminars, and conferences. Regarding transition assistance programs for those who have retired or were terminated, support is provided on an individual, situational and case by case basis, and has included job placement, severance, financial planning, training, and counseling. Sections 8.1 and 8.3.	●
LA12	Percentage of employees receiving regular performance and career development reviews.	89% of eligible non-union employees received a performance review and 66% of those documented a career development discussion. This group totals more than 73,000 employees.	●



## 9.1 GRI-G3 Index continued

G3 INDICATOR	DESCRIPTION	DISCLOSURE	
LA13	Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership and other indicators of diversity.	Composition of Management Committee, UPS's primary governance group: 10 men, two women; by race: 10 white, two African American. Board of Directors—9 men, 2 women; by race: 10 white, 1 African American. Women as a percent of officers and managers: 29%. Minorities as a percentage of officers and managers: 31%. U.S. Workforce: Asian 4%, Black 17%, Hispanic 9%, Native American/other 1%.	●
LA14	Ratio of basic salary of men to women by employee category.	Not Reported	○
<b>HUMAN RIGHTS</b>			
HR1	Percentage and total number of significant investment agreements that include human rights clauses or that have undergone human rights screening.	Not Reported	○
HR2	Percentage of significant suppliers and contractors that have undergone screening on human rights and actions taken.	Less than 3% of Corporate Procurement contracts include human rights language.	●
HR3	Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including percentage of employees trained.	In 2009, we intend to add human rights language as part of the UPS Code of Business Conduct, which is covered in compliance training required by new employees at time of hiring and existing employees every other year. The Code of Business Conduct is available to employees in 12 languages on our intranet.	●
HR4	Total number of incidents of discrimination and actions taken.	Not Reported	○
HR5	Operations identified in which the right to exercise freedom of association and collective bargaining may be at significant risk, and actions taken to support these rights.	Many of our employees are represented by labor unions and we support their rights to become members of a union. In addition, we encourage positive relationships with our employees and unions by adhering to the principles outlined in our company policy book and our collective bargaining agreements.	●
HR6	Operations identified as having significant risk for incidents of child labor, and measures taken to contribute to the elimination of child labor.	UPS manages its business in compliance with all applicable laws and regulations of the countries in which it operates, and in accordance with the Company's high standards of business conduct. UPS is unaware of any incidents, violations, complaints, or concerns in its operations involving the use of child labor.	●
HR7	Operations identified as having significant risk for incidents of forced or compulsory labor, and measures to contribute to the elimination of forced or compulsory labor.	UPS adheres to all applicable laws and we are not aware of any incidents of violations regarding forced or compulsory labor.	●
HR8	Percentage of security personnel trained in the organizations policies or procedures concerning aspects of human rights that are relevant to operations.	100% of UPS's security personnel receives training on the proper use of force.	●
HR9	Total number of incidents of violations involving rights of indigenous people and actions taken.	We are not aware of any incidents of violations involving the rights of indigenous people.	●
<b>SOCIETY</b>			
S01	Nature, scope and effectiveness of any programs and practices that access and manage the impacts of operations on communities, including entering, operating and exiting.	Not Reported	○
S02	Percentage and total of business units analyzed for risks related to corruption.	During 2008, onsite corruption risk assessments were completed for our top nine high-risk countries.	●
S03	Percentage of employees trained in organization's anti-corruption policies and procedures.	Over the past two years, 96% of 44,000 full-time management employees were trained.	●

## 9.1 GRI-G3 Index continued

G3 INDICATOR	DESCRIPTION	DISCLOSURE	
S04	Actions taken in response to incidents of corruption.	We comply with all applicable laws, rules and regulations, in all countries where we operate. The UPS Policy Book and The Code of Business Conduct have policies and procedures which prohibit UPS employees, and the people acting on our behalf, from engaging in unlawful activities, including violations of the U.S. Foreign Corrupt Practices Act and other applicable anti-bribery laws, rules and regulations in various countries.	○
S05	Public policy positions and participation in public policy development and lobbying.	Section 5.4	●
S06	Total value of financial and in-kind contributions to political parties, politicians and related institutions by country.	In the United States, UPS's Political Action Committee donations to U.S. federal, state and local candidates totaled US\$2.4 million.	●
S07	Total number of legal actions for anti-competitive behavior, anti trust, and monopoly practices and their outcomes.	Not Reported	○
S08	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations.	Not Reported	○
<b>PRODUCT RESPONSIBILITY</b>			
PR1	Life cycle stages in which health and safety impacts of products and services are assessed for improvement, and percentage of significant products and services categories subject to such procedures.	Not Reported	○
PR2	Total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services during their lifecycle by type of outcomes.	Not Reported	○
PR3	Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements.	Not Reported	○
PR4	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling by type of outcomes.	Not Reported	○
PR5	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction.	UPS extensively monitors customer comments via internal and external channels. An important tool is an independent survey that collects comments from more than 3,000 shipper interviews each year. And focus groups are held throughout the year.	●
PR6	Programs for adherence to laws, standards and voluntary codes related to marketing communications, including advertising, promotion and sponsorship.	All communications materials, including advertising enterprise-wide, goes through a legal review to determine compliance with all pertinent laws and regulations.	●
PR7	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications including advertising, promotion and sponsorship by type of outcome.	Not Reported	○
PR8	Total number of substantiated complaints regarding breaches of customer privacy and loses of customer data.	Not Reported	○
PR9	Monetary value of significance fines for non-compliance with laws and regulations concerning the provision and use of products and services.	2008 Annual Report, Form 10-K, pages 14 and 37, <a href="http://investors.shareholders.com/ups">investors.shareholders.com/ups</a>	●