



# Committed to More™

**2015**  
CORPORATE  
SUSTAINABILITY REPORT





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Committed to More™





Committed to More™

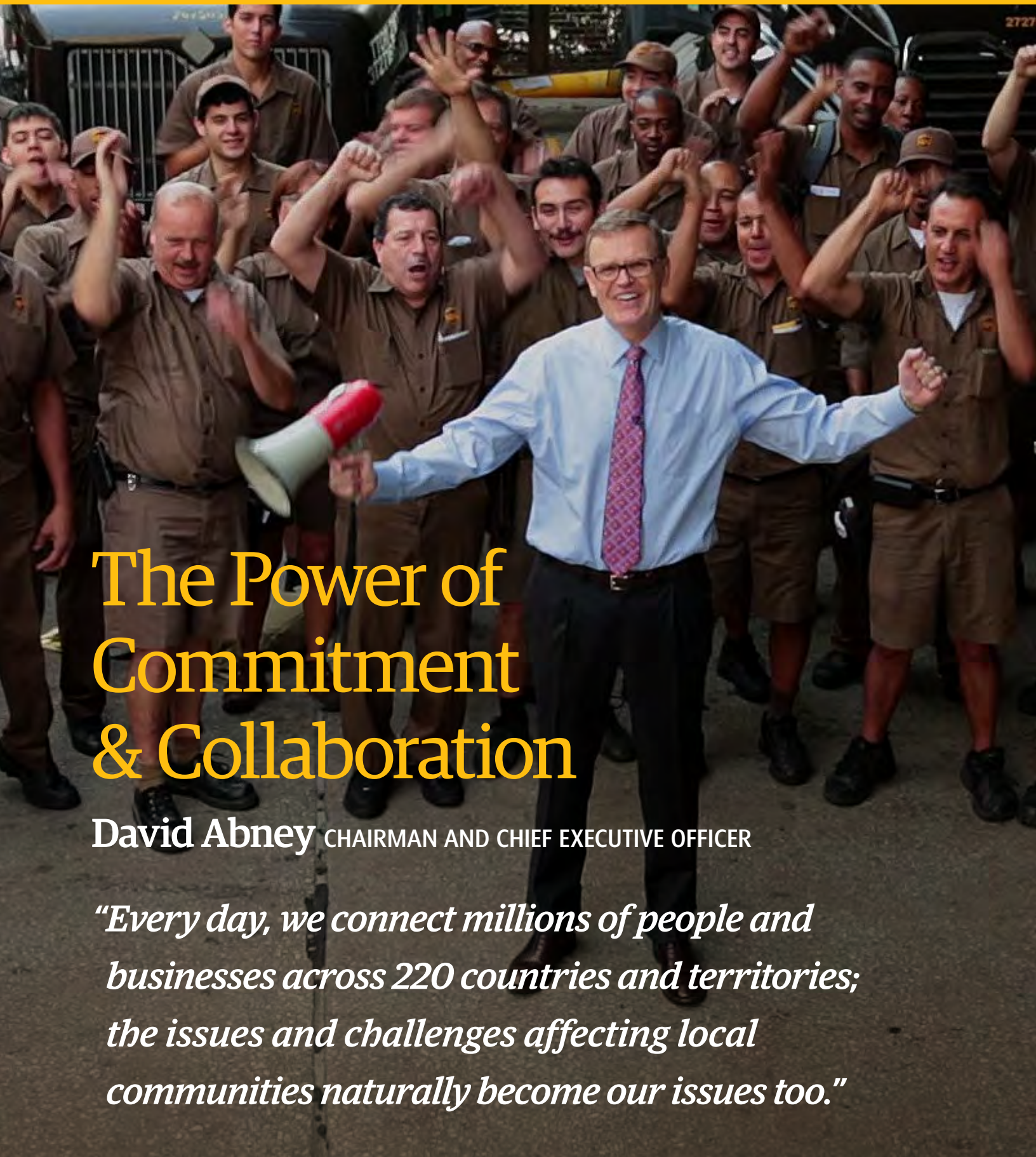
**In every aspect of our business, we are Committed to More™ — helping customers pioneer more sustainable solutions, delivering packages more efficiently, creating more connections around the world, and finding more ways to take action and give back.**

**UPS is a global leader in logistics, offering a broad range of supply chain solutions including transporting packages and freight, facilitating international trade, and deploying advanced technology to more efficiently manage the world of business.**

G4-3







# The Power of Commitment & Collaboration

**David Abney** CHAIRMAN AND CHIEF EXECUTIVE OFFICER

*“Every day, we connect millions of people and businesses across 220 countries and territories; the issues and challenges affecting local communities naturally become our issues too.”*



G4-1

From shifting demographics and technology advancements, to a changing climate and constrained natural resources, our world is facing challenges that will impact the well-being of generations to come.

But who should — and will — step up to create solutions to these challenges?

Perhaps more than at any other time in our history, global businesses are in the best position to step up and take the reins. Big business has the scale, resources, talent, and operational muscle to drive meaningful change.

I am confident UPS understands and welcomes this responsibility. Our core competency, logistics, is about more than just moving goods. Every day, we connect millions of people and businesses across 220 countries and territories; the issues and challenges affecting local communities naturally become our issues too. We have the vision and commitment to create more sustainable connections around the globe; the needs of our communities and our planet spur us to act.

None of the problems before us will be solved by UPS alone. Effective solutions require both collaboration and commitment.

Climate change and greenhouse gas emissions pose serious risk to the environment and global economy. They are threats intensified by a tide of people moving into urban areas and giving rise to e-commerce and the on-demand economy.

These environmental, economic, and demographic shifts generate pollution, congestion, and transportation challenges that singularly and collectively diminish quality of life and constrain commerce. Through our work with partners such as the World Business Council for Sustainable Development and BSR, we're combining our experience and resources to develop lower-emission solutions that will be adopted not only by our company, but others in the logistics industry.

Trade can be a powerful force to lift people and communities out of poverty, driving growth and creating access to new markets. We collaborate with policymakers to advocate for trade reform and strongly support policies that stimulate opportunities for underserved regions.

Among our most meaningful collaborations are those with our humanitarian aid partners. Nearly 60 million displaced people

around the world are fleeing civil unrest and seeking refuge in the wake of natural disasters. UPS's transportation resources and logistics expertise, combined with our partners' organizations, allow us to respond swiftly when and where relief is needed most. In 2015, we worked together to orchestrate 350 shipments to and from 50 countries, including help to Syrian refugees in Europe and to devastated communities following the earthquake in Nepal.

Of course, we must match collaboration with commitment — establishing clear goals and pragmatic planning. As we work to reduce the climate impact of our fleet, we continue toward a goal to drive 1 billion miles in our alternative fuel and advanced technology vehicles by the end of 2017. I'm proud to report that we are on track to achieve that goal one year early.

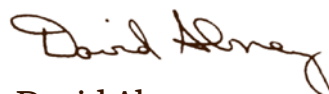
**“We have committed to contribute 20 million hours of volunteer service by the end of the decade, extending the talent and passion of UPSers to solve problems in our communities.”**

We have committed to contribute 20 million hours of volunteer service by the end of the decade, extending the talent and passion of UPSers to solve problems in our communities. As of the end of 2015, UPSers have volunteered over 10 million hours, surpassing the halfway point to our goal.

In 2015, we also amplified our commitment to our environmental partners, increasing support to fund the planting of 15 million trees across the globe by the end of 2020.

More than 444,000 UPSers around the world step up every day not only to solve problems for our customers, but also to advance our sustainability commitments. Throughout this report, you'll read about UPSers who are on the front lines, working hard to make the world a better, more sustainable place. These stories make me proud to be a UPSer.

The achievements of the past year, which have strengthened local communities, supported children and youth, assisted those in need, and protected the environment, convince me that UPSers' minds, hands, and hearts are making a difference.



**David Abney**

CHAIRMAN AND CHIEF EXECUTIVE OFFICER



# 2015 Headlines & Highlights



**70%**

of all U.S. routes are now equipped with ORION — On-Road Integrated Optimization and Navigation — our proprietary route-optimization software. When it is fully deployed to all U.S. routes by the end of 2016, we expect to reduce the distance driven by our drivers by 100 million miles annually.

## Committing to more renewable fuels

As an industry leader in seeking alternative fuel opportunities for our worldwide fleet, we increased our commitment to renewable fuels in 2015, with plans to purchase up to an additional 60 million gallons of renewable diesel and renewable natural gas (RNG) over the next several years. This commitment will result in cleaner emissions and help to commercialize the market for these promising alternative fuels. These purchases are part of our global GHG strategy to reduce the carbon intensity of our operations by 20 percent by 2020. In 2015, we achieved a 14.5 percent reduction in our carbon intensity versus a 2007 baseline. Read more about our carbon reduction initiatives starting on page 74.

**1,225**

entrepreneurs in 12 countries participated in workshops to learn about best practices in business expansion and global market access. These were held by UPS and its partners in the US-Association of Southeast Asian Nations Business Alliance for Competitive Small- and Medium-Sized Enterprises.

## Improving supply chain efficiency with Coyote Logistics

In 2015, UPS acquired Coyote Logistics, a leading third-party logistics service provider in North America, creating the opportunity to fill empty trailer movements that are needed to balance our network. These empty backhaul miles generate emissions, but are required to make sure our vehicles are positioned to meet customer needs. We are leveraging Coyote's network to fill millions of empty trailer miles, which not only improves our fleet efficiency, but also reduces miles driven in other supply chains. Read more about how Coyote Logistics is positively impacting our ground fleet efficiencies on page 78.

**4,690**

UPS-employed students received more than US\$11 million in tuition support through our Earn & Learn program. This helps us attract college students to fill many of our part-time positions and opens doors to higher education for current employees.



### Planting 15 million trees: a growing commitment

Increasing the number of trees on the planet is an effective way to decrease the amount of carbon dioxide in the atmosphere — all while providing other positive benefits to communities and ecosystems. In 2015, The UPS Foundation committed to fund the planting of 15 million trees by the end of 2020. This commitment includes the more than 5 million trees that The UPS Foundation and its environmental partners have already planted in 46 countries since 2012. Read more about The UPS Foundation and its commitments to benefiting communities on pages 52 & 61.



**\$2.3 billion+**

in GDP contributions from the direct and indirect economic and community impact of our supplier diversity program.

**24,000+**

UPS Access Point™ locations that provide centralized locations for customers to pick up and drop off packages. This increases customer convenience, and reduces wasted miles and associated emissions from unnecessary delivery attempts.

**49% increase**

in the number of Business Resource Group chapters, reflecting the passion and commitment of UPSers to build a diverse and inclusive work environment.

### Developing a global view of materiality

Our business spans the globe, so it makes sense to understand which sustainability issues are most important to stakeholders in our regions around the world. That’s the rationale behind a series of materiality assessments we conducted in partnership with BSR during 2015 in key countries, districts, and business areas: Canada; Europe; Asia Pacific; and the Indian Subcontinent, Middle East & Africa. This work builds on our 2013 global materiality assessment, which was the basis for UPS becoming one of the first companies in the United States to report in accordance with the GRI G4 Guidelines, Comprehensive option. As discussed on page 16, the insights gleaned through these regional assessments are advancing sustainability objectives across our global enterprise.



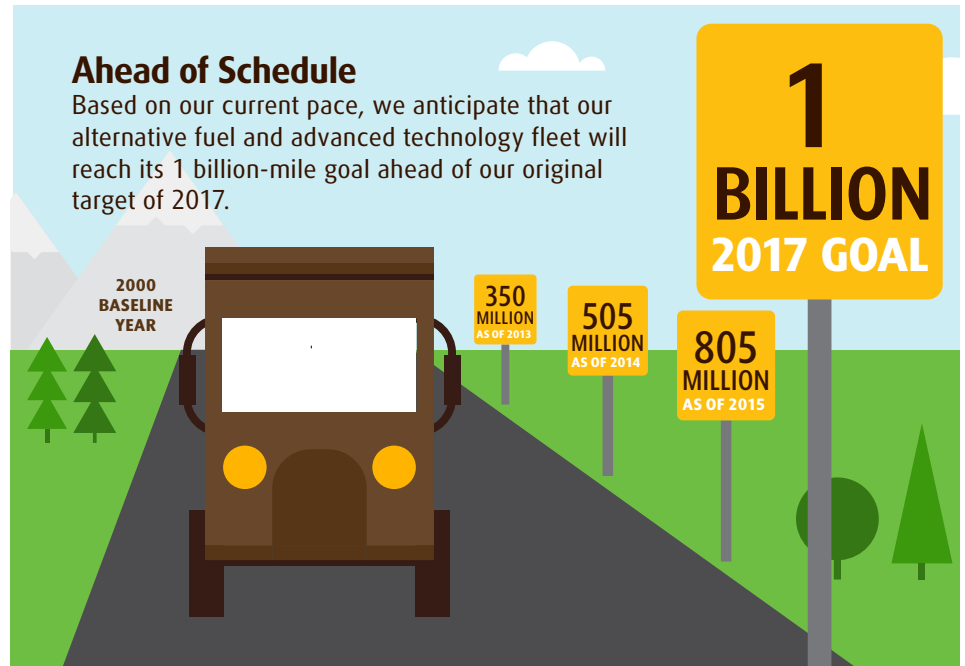


## Introduction

### 1.2 2015 Headlines & Highlights

**22 million+**

UPS My Choice® members around the world who can choose a convenient time and place to receive packages, reducing wasted miles and associated emissions from missed delivery and pick-up attempts.



### Reaching 1 billion miles one year early

During 2015, our fleet of alternative fuel and advanced technology vehicles logged another 300 million miles, putting us at 805 million cumulative miles, well on our way toward our goal of driving 1 billion miles by the end of 2017. Thanks to our accelerated pace over the past two years, we now expect to reach that goal in 2016, a year ahead of schedule. At that time, we expect to substitute as much as 12 percent of our annual conventional ground fuel use with alternative fuels. Read more about the significant investments we are making in our rolling laboratory, a fast-growing fleet of alternative fuel and advanced technology vehicles, on page 88.

### Providing support and relief to communities in crisis

We have a legacy of responding when disaster strikes, and we continued to respond in 2015 to crises around the world: in Europe where a steady flow of migrants has created a refugee emergency; in Nepal where a devastating earthquake struck; and in the Pacific nation of Vanuatu where Cyclone Pam caused massive destruction. In 2015, UPS and The UPS Foundation coordinated 350 humanitarian shipments across 50 countries, helping communities and individuals in dire need. During the year, we also provided US\$10 million in support of initiatives that help communities become more resilient and better able to handle potential crises and disasters. Read more about our humanitarian relief and resiliency efforts on page 61.

**2.35 million**

volunteer hours by UPSers in 2015. We've logged more than 10 million hours since 2011, over halfway to our goal to contribute 20 million hours by 2020.



# Recognition for Responsibility & Reporting

## World and North America Indices

UPS was selected as a constituent of the Dow Jones Sustainability World Index for the third consecutive year and was included on the North America Index for the 11th consecutive year.



## SmartWay Excellence Award

UPS was recognized by EPA SmartWay as an industry leader in supply chain environmental and energy efficiency.



## 100 Best Corporate Citizens

UPS was named one of CR Magazine's "100 Best Corporate Citizens" for the sixth consecutive year.



## Best Global Brands

Interbrand ranked UPS among its "Best Global Brands" for the 11th consecutive year.



## World's Most Admired Companies

UPS was again voted by business people as one of the "World's Most Admired Companies" according to Fortune magazine. UPS has been on this list for more than 20 years.



## Boston College 2015 International Corporate Citizenship Film Festival Winner

UPS was recognized for humanitarian relief excellence in partnership with UNHCR. The award-winning video produced illustrated the vital technical and logistical support the company has offered to refugee camps in Mali.



## Climate Disclosure Leadership Index S&P 500

UPS scored among the highest marks for voluntary carbon disclosure by CDP for the fifth consecutive year, earning a perfect score of 100 for the second year in a row.



## World's Most Ethical Companies

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



# What We Do

We are the world's largest package delivery company and a premier provider of global supply chain solutions.

G4-4 G4-8

## Global Small Package

## Supply Chain & Freight



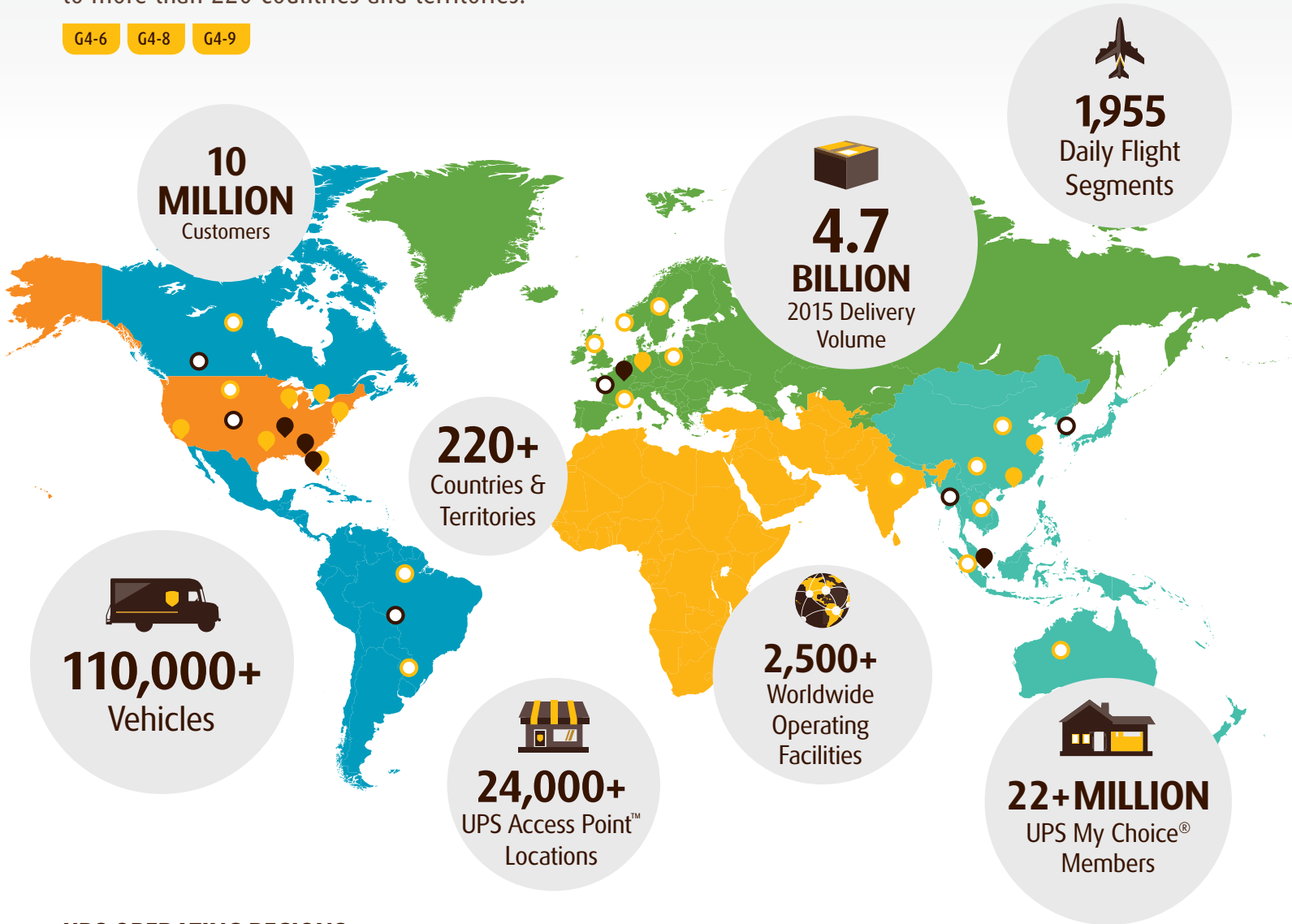




# Where We Go

We provide domestic delivery services within 54 countries and export/import services to more than 220 countries and territories.

G4-6 G4-8 G4-9



## UPS OPERATING REGIONS

### USA

### AMERICAS

Canada, Latin America, and the Caribbean

### EUROPE

### ISMEA

Indian Subcontinent, the Middle East, and Africa

### ASIA-PACIFIC

- Corporate or Regional Headquarters
- Regional Air Hubs
- Global Alternative Fuel and Advanced Technology Fleet Location
- UPS carbon neutral Shipping Origination Country (36 in total)

# Goals & Progress

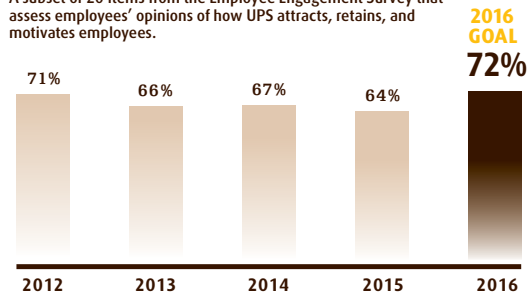
G4-2

This is the third year in which we present 13 Key Performance Indicators (KPIs) aligned to key issues covered in our GRI G4 comprehensive reporting. More information about each can be found in this Report. Three additional KPIs that measure water consumption, reportable spills, and penalties as a percentage of total environmental inspections (none of which corresponds to a material aspect) may be found in the Supplemental Sustainability Data document at [www.ups.com/sustainabilityreport](http://www.ups.com/sustainabilityreport).

### Employer of Choice Index

Global Operations

A subset of 20 items from the Employee Engagement Survey that assess employees' opinions of how UPS attracts, retains, and motivates employees.

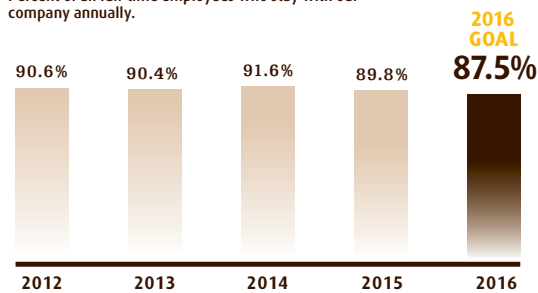


Changes in survey methodology and index composition have contributed to the decline. Year-over-year results are not relevant due to changes to the survey and index composition.

### Full-Time Employee Retention Rate

Global Operations

Percent of all full-time employees who stay with our company annually.

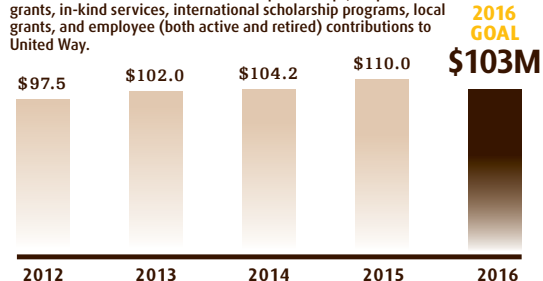


Retention rates remain well above goal, in part due to fewer retirements than expected.

### Total Charitable Contributions (in millions of USD)

Global Operations

Includes charitable contributions and sponsorships, corporate grants, in-kind services, international scholarship programs, local grants, and employee (both active and retired) contributions to United Way.



We continue to exceed this goal due to United Way employee contributions and corporate match, as well as increased grants by The UPS Foundation.

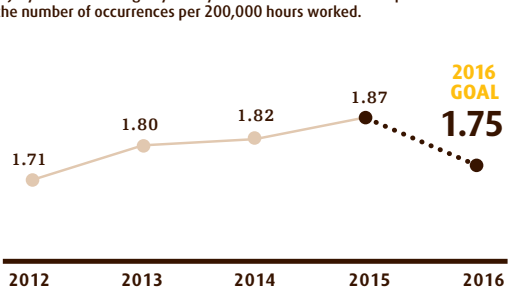
For most KPIs, we use generally accepted or industry-standard metrics and measurement protocols. We provide both absolute and normalized results, depending on the KPI. Most of our environmental KPIs correspond to GRI performance indicators. In many cases, we provide global enterprise data as well as breakouts for our largest source. Ten of the KPIs presented in this Report have goals, and we are generally satisfied with our progress toward them. For three of the KPIs, we have already met or exceeded our goal for two or more years. These are Total Full-Time Employee Retention Rate, which stood at 89.8 percent in 2015, exceeding our goal of 87.5 percent by 2016; Total Charitable Contributions, which reached US\$110.0 million in 2015, surpassing a goal of US\$103 million by 2016; and Aircraft Emissions per Payload Capacity, which has exceeded our 2016 goal for the past three years.

Remaining goals are more challenging for a variety of reasons, including international expansion, which introduces new variables into data gathering and performance results for global metrics, and marketplace or technological factors that are not developing as fast as we expected, such as aviation biofuel for our aircraft. We are reviewing our KPIs and plan to include a portfolio of updated metrics and goals in our 2016 Corporate Sustainability Report.

### Lost Time Injury Frequency

Global Operations

Injury cases involving days away from work. This number represents the number of occurrences per 200,000 hours worked.

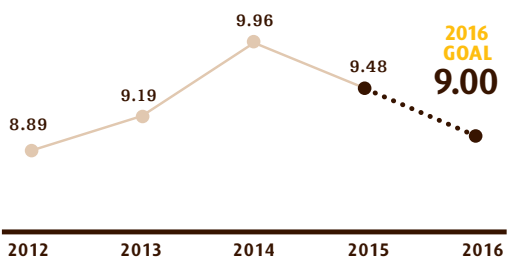


A slight increase was attributed to unprecedented winter weather in parts of the U.S. and a boost in new hires with less experience in the short term.

### Auto Accident Frequency

Global Operations

Total number of vehicular accidents (regardless of severity) per 100,000 driver hours.

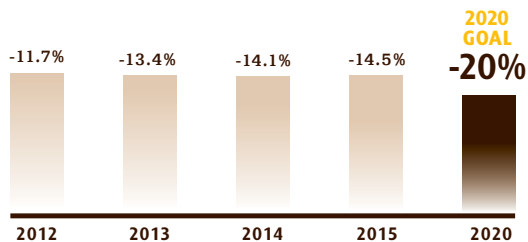


More consistent training and the use of collision mitigation systems on select vehicles contributed to this improvement.



### Transportation Intensity Index

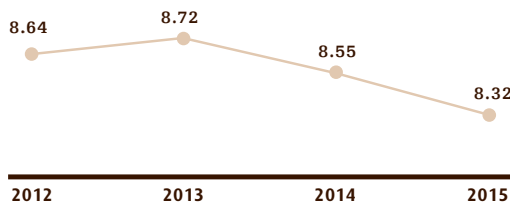
All U.S. Operations & Global Airlines  
The Transportation Intensity Index sums our transportation-related Scope 1 and 2 emissions from U.S. Domestic Package, the U.S. operations of Supply Chain & Freight, and global UPS Airlines.



Continued progress reflects the successful execution of our GHG reduction strategies in our ground and air fleets.

### Ground Packages per Gallon of Fuel

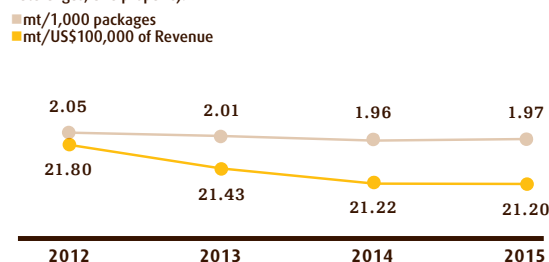
U.S. Domestic Package  
Fuel consumption includes gasoline, diesel, natural gas, propane, fuel for rail transportation, and other third-party carriers. Packages are total of U.S. ground packages and air packages moved on ground.



E-commerce growth continues to pressure this KPI due to the increased number of residential and small business customers served.

### CO2e Emissions — Normalized

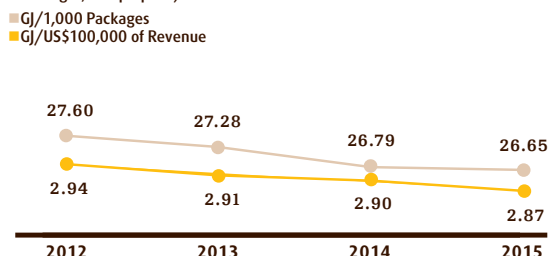
U.S. Domestic Package  
Scope 1 and 2 CO2e emissions include stationary sources (electricity, natural gas, propane, and heating oil) and mobile sources (gasoline, diesel, Jet-A, natural gas, and propane).



Reductions closely track energy intensity and reflect ongoing innovation throughout our optimized network.

### Energy Consumption — Normalized

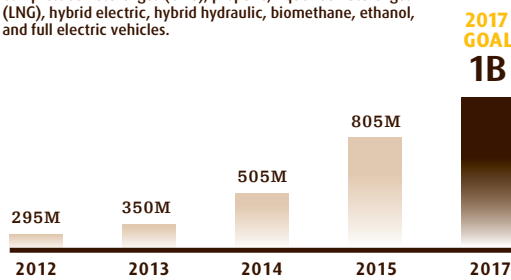
U.S. Domestic Package  
Energy consumption includes stationary sources (electricity, natural gas, propane, and heating oil) and mobile sources (gasoline, diesel, Jet-A, natural gas, and propane).



Ongoing technology innovations throughout the network continue to drive decreases in energy intensity.

### Alternative Fuel & Advanced Technology Miles Driven

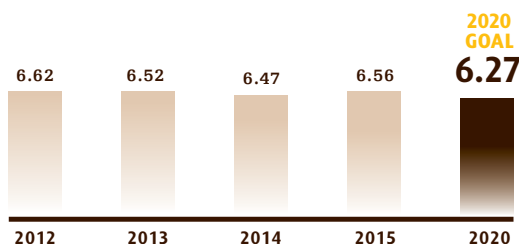
Global Operations  
Alternative fuel and advanced technology vehicles include: compressed natural gas (CNG), propane, liquefied natural gas (LNG), hybrid electric, hybrid hydraulic, biomethane, ethanol, and full electric vehicles.



Accelerated progress reflects the scaling of our alternative fuel and advanced technology fleet.

### Aviation Gallons Burned per 100 Available Ton Miles

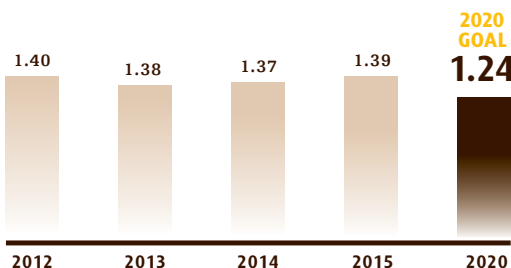
UPS Airlines — Global Operations  
Gallons of jet fuel consumed for every 100 tons of capacity transported one nautical mile.



The increase reflects higher UPS Next Day Air® volume and continued challenges in reducing fuel intensity.

### UPS Airlines CO2 Pounds per Available Ton Mile

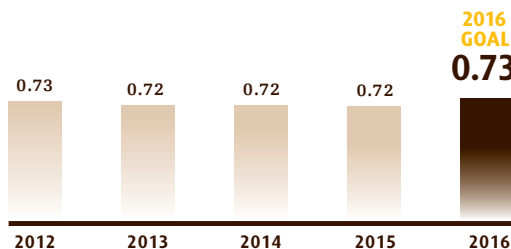
UPS Airlines — Global Operations  
Pounds of CO2 emitted for every ton of capacity transported one nautical mile.



The lack of viable alternative fuels available for aviation continues to create headwinds for improved performance.

### Aircraft Emissions per Payload Capacity

UPS Airlines — Global Operations  
Total emissions of HC, CO, and NOx in kgs from aircraft takeoffs and landings below 3,000 feet of altitude divided by the sum of maximum structural payload capacity (in thousands of kgs) weighted by annual aircraft cycles.



This goal has been accomplished early due to an aggressive approach to early aircraft replacements.

# 2

## Approach & Engagement

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COMMITTED  
TO MORE

## Greg Schneider

As a UPS Volunteer Coordinator, package car driver Greg Schneider not only plants trees each fall, but also plants seeds of enthusiasm for volunteering among other UPSers. That's part of his role as a UPS Sustainability Ambassador, a network of more than 5,000 employees committed to doing more to positively impact communities and the environment. "Each day," says Greg, "I think about how I can inspire my co-workers to give back and volunteer." In his 36 years with UPS, Greg has worked with 30 nonprofit organizations and recruited hundreds of UPSers to volunteer in the Cincinnati area. "Life is a gift," he explains. "The planet we live on is a gift; the air we breathe is a gift; and the water we drink is a gift. We need to protect these gifts if we want our children and grandchildren to enjoy the same quality of life we have."



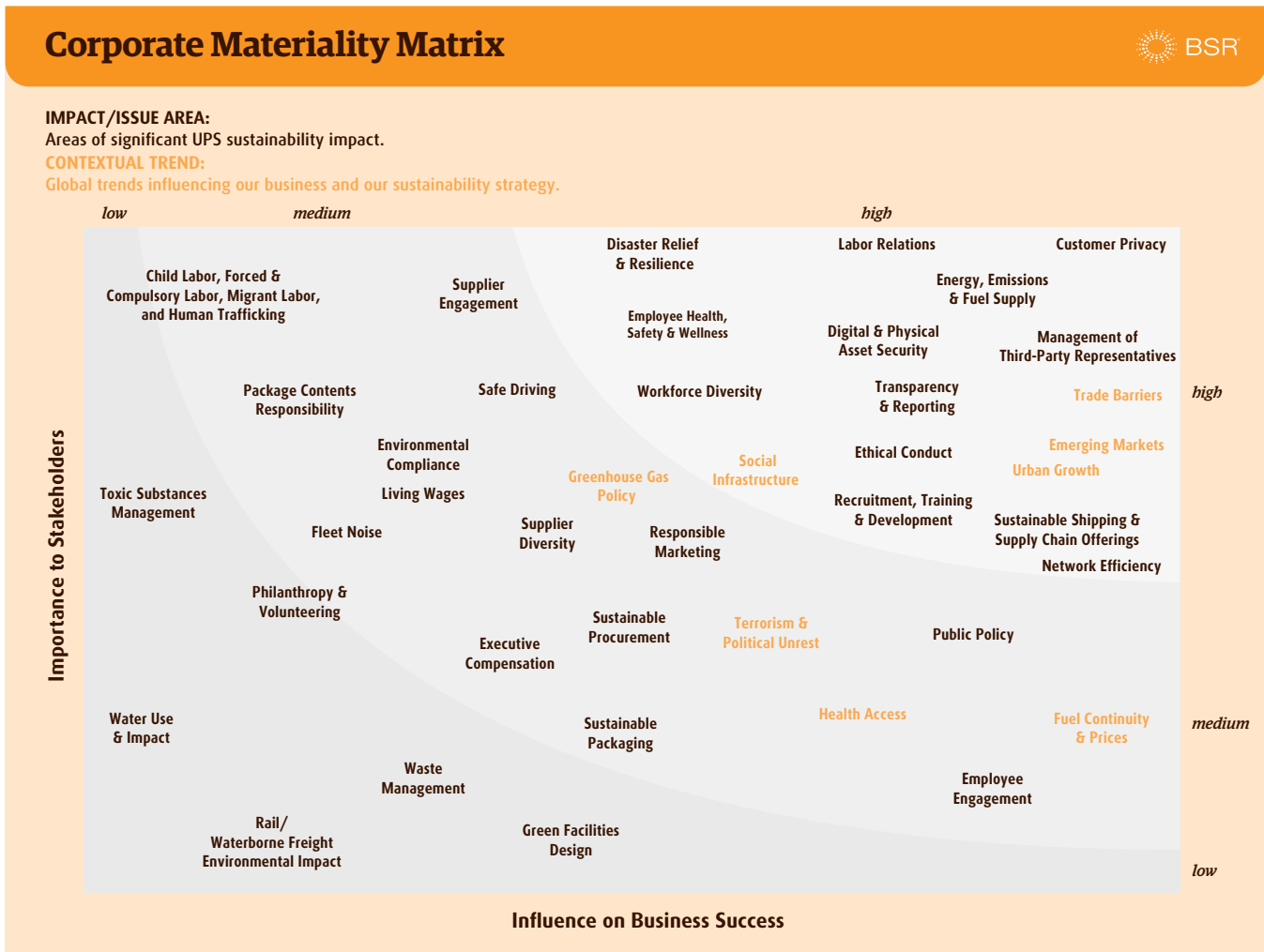
ups  
United As One  
Making A Difference





# 2.1 Corporate Materiality

Materiality is a critical input into our corporate sustainability strategy because it ensures that we provide our stakeholders with the sustainability information most relevant to them and our business. To determine this, we conduct a formal materiality assessment on a regular basis. Our last corporate global materiality assessment, conducted in 2013, continues to inform the framework for this Report. A complete overview of the UPS materiality assessment process is available at [www.ups.com/sustainabilityreport](http://www.ups.com/sustainabilityreport).





G4-19 G4-20 G4-21

### UPS Materiality Matrix Content Table

Material Issue for UPS	Corresponding GRI G4 Aspect	Aspect Boundary Within UPS	Aspect Boundary Outside UPS	Location
<b>Economic*</b>	Economic Performance, Market Presence, Indirect Economic Impacts, Procurement Practices	U.S. Package Operations, International Package Operations, Global Supply Chain & Freight	Communities in which we operate	50
<b>Customer Privacy</b>	Customer Privacy	U.S. Package Operations, International Package Operations, Global Supply Chain & Freight	Select external stakeholders	59
<b>Digital &amp; Physical Asset Security</b>	Customer Privacy	U.S. Package Operations, International Package Operations, Global Supply Chain & Freight	Not material	60
<b>Disaster Relief &amp; Resilience</b>	Indirect Economic Impact	U.S. Package Operations, International Package Operations, Global Supply Chain & Freight	Communities in which we operate	61
<b>Energy, Emissions &amp; Fuel Supply</b>	Energy, Emissions, Environmental Grievance Mechanisms	U.S. Package Operations, International Package Operations, Global Supply Chain & Freight	Global providers of purchased transportation services	77, 88
<b>Labor Relations</b>	Labor/Management Relations, Freedom of Association & Collective Bargaining, Human Rights Grievance Mechanisms, Labor Practices Grievance Mechanisms	U.S. Package Operations, International Package Operations, Global Supply Chain & Freight	Not material	44
<b>Workforce Diversity</b>	Diversity and Equal Opportunity, Equal Remuneration for Women and Men	U.S. Package Operations, International Package Operations, Global Supply Chain & Freight	Not material	31
<b>Employee Health, Safety &amp; Wellness</b>	Employment, Occupational Health and Safety	U.S. Package Operations, International Package Operations, Global Supply Chain & Freight	Not material	36
<b>Recruitment, Training &amp; Development</b>	Training and Education	U.S. Package Operations, International Package Operations, Global Supply Chain & Freight	Not material	40
<b>Ethical Conduct</b>	Anti-Corruption, Anti-Competitive Behavior, Compliance (Society)	U.S. Package Operations, International Package Operations, Global Supply Chain & Freight	Agents and outside service providers engaged by UPS	46
<b>Management of Third-Party Representatives</b>	Supplier Environmental Assessment, Supplier Assessment for Labor Practices, Supplier Human Rights Assessment, Freedom of Association and Collective Bargaining, Anti-Corruption	U.S. Package Operations, International Package Operations, Global Supply Chain & Freight	Agents and outside service providers engaged by UPS	56
<b>Sustainable Shipping &amp; Supply Chain Offerings</b>	This issue arose during the materiality process but does not map directly to a GRI G4 material aspect. We provide additional content on this item throughout the Report.			66
<b>Transparency &amp; Reporting</b>	This issue arose during the materiality process but does not map directly to a GRI G4 material aspect. We provide additional content on this item throughout the Report.			74
<b>Network Efficiency</b>	This issue arose during the materiality process but does not map directly to a GRI G4 material aspect. We provide additional content on this item throughout the Report.			74
Contextual Trend	Description			Location
<b>Trade Barriers</b>	This trend arose during the materiality process. We provide additional information in the Report to explain its significance to UPS.			53
<b>Urban Growth</b>	This trend arose during the materiality process. We provide additional information in the Report to explain its significance to UPS.			85
<b>Social Infrastructure</b>	This trend arose during the materiality process. We provide additional information in the Report to explain its significance to UPS.			52
<b>Emerging Markets</b>	This trend arose during the materiality process. We provide additional information in the Report to explain its significance to UPS.			54

\*Our Materiality Matrix implicitly recognizes that our economic performance is a material influence on our business success, so it does not appear in the matrix as a separate issue or aspect. We fully discuss our economic performance, in line with GRI G4 guidelines.

# Our Priorities Around The World G4-2

During 2015, we advanced our commitment to sustainability reporting by conducting materiality assessments in four areas of the world where we have significant and growing operations: the Indian Subcontinent, Middle East, and Africa; Canada; Europe; and Asia-Pacific. These assessments involved desktop research, as well as interviews with internal and external stakeholders in each region. Our goal was to identify, analyze, and prioritize

issues in each region in order to inform our sustainability strategy and reporting at both regional and global levels. The findings of the regional assessments, along with findings from an upcoming materiality assessment in Mexico, will inform our global materiality assessment in 2016 and provide the basis for our 2016 Sustainability Report.

## Indian Subcontinent, Middle East, and Africa (ISMEA)

Our newest business district was established in 2013 and encompasses 74 countries, many of which have high growth potential.

### Key Findings

- The need to safeguard the security and safety of employees, communities, and assets due to operations in difficult markets affected by terrorism and political unrest.
- Compliance is critical to maintain operational integrity and prevent bribery, corruption, and human rights violations.
- The ability to hire, retain, and engage employees is key to UPS business success.
- Issues related to congestion, urban growth, air pollution, and mobile carbon emissions are emerging and provide opportunities for UPS to lead.
- UPS has the opportunity to act as a positive economic driver in a growing region in need of business capacity building and international market access.

### Top Priorities

- Bribery and Corruption (page 46)
- Terrorism & Political Unrest (monitoring)
- Living Wages (monitoring)
- Philanthropy, Volunteerism & Disaster Response (pages 52, 61)
- Recruitment, Training & Development (page 40)

### Stakeholder Perspective

*“There is an opportunity for UPS to innovate in India and bring sustainable solutions to scale here, as the infrastructure still needs to be developed.”*

**Sachin Joshi**  
Confederation of  
Indian Industry

## Canada

Canada is a growth market relative to other countries and regions, but with a smaller footprint than our U.S. business.

### Key Findings

- UPS corporate priorities and Canada’s strategic priorities are closely aligned.
- Climate change is playing an increasingly important role in the country’s political direction.
- Diversity is a political priority and increasingly on the minds of regulators and customers.
- Customers are becoming more interested in sustainable supply chains and shipping solutions.
- There is an opportunity to leverage sustainability to drive employee engagement.

### Top Priorities

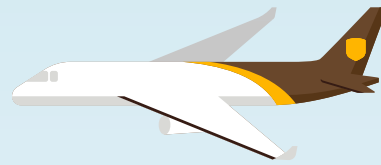
- GHG Emissions & Responsible Fuel Supply (pages 77, 88)
- Ethical Conduct (page 46)
- Labor/Management Relations (page 44)
- Congestion (page 85)
- Trade Barriers & Market Intervention (page 53)

### Stakeholder Perspective

*“UPS Canada can help shape national discussions around climate change, efficiency standards, and transparency.”*

**Tara Redmond**  
VP UPS Canada,  
Plant Engineering;  
Canada Sustainability Chair





## Europe

This is our largest business region outside the U.S. and includes both developed markets, such as Germany and the United Kingdom, and developing markets, such as Turkey.

### Key Findings

- Concerns about air pollution and congestion locally, and climate change globally, make emissions a strategic priority.
- Issues relating to noise and ergonomics in and around facilities and airports create business challenges.
- Sustainable shipping solutions are an opportunity for differentiation.
- Employee engagement in newer markets is critical, while globally-minded leadership that can manage a diverse workforce is a priority in others.
- Supplier engagement, especially in markets where outside service providers constitute a large portion of UPS operations, is key to managing service quality and brand reputation.

### Top Priorities

- Transparency, Accountability & Reporting (page 74)
- Congestion & Air Pollution (page 85)
- Air Fleet Noise (monitoring)
- Management of Agents and Outside Service Providers (page 56)
- Security & Safety (page 60)

### Stakeholder Perspective

*“E-commerce is rising, which has an impact on commerce traffic in cities and congestion. Logistics companies need to engage with retailers, cities, and city planners on jointly finding solutions for mitigating these impacts.”*

**Thomas Wagner**

The Collaborating Centre on Sustainable Consumption and Production (CSCP)



## Asia-Pacific

This region serves more than 40 countries and territories. China is the largest player, with Vietnam, Philippines, and Myanmar as emerging opportunities.

### Key Findings

- Skilled labor is in high demand, and employees are seen as critical to business success.
- High emphasis is placed on employee recruitment, training and development, fair treatment, and health and wellness.
- Non-emissions-related environmental impacts are important, such as compliance, green facility design, and waste management.
- In this dynamic and quickly changing region, business agility and innovation are critical to keeping pace with new technologies and changing consumer behavior.
- Sustainable shipping, packaging, and supply chain offerings are important.

### Top Priorities

- Recruitment, Training & Development (page 40)
- Sustainable Shipping & Supply Chain Offerings (page 66)
- Employee Health, Safety & Wellness (page 36)
- Labor Relations (page 44)
- Ethical Conduct (page 46)

### Stakeholder Perspective

*“UPS must be nimble and innovate to keep up with dynamic changes happening in the region — from new technologies to changing employee expectations.”*

**Shiumei Lin**

VP UPS Asia-Pacific, Public Affairs,  
Asia-Pacific Sustainability Chair





## 2.2 Stakeholder Engagement

We consider stakeholder engagement an essential aspect of corporate governance for many reasons. We are one of the world's largest private employers; we serve millions of customers in more than 220 countries and territories; and millions of investors include our UPS stock shares in their portfolios either directly or via mutual funds.

G4-24

G4-25

G4-26

G4-27

Regular dialogue with employees, customers, investors, community leaders, universities, public officials, suppliers, and third-party providers through formal and informal channels is essential to conducting our business, as well as developing and implementing our sustainability strategies.

Because of our long history, we have been engaged with many of these stakeholders for decades. Furthermore, we have a long-standing philosophy of “constructive dissatisfaction.” We are always looking for ways to help our customers, employees, and stakeholders do more. This has taught us that good ideas can come from anywhere. That is why we have ongoing dialogue with a broad array of stakeholders — even those who may be critical of us.

### Collaborating to Reduce Transport Sector Emissions

Our work with the World Business Council for Sustainable Development (WBCSD) is one example of how we collaborate with external stakeholders to bring solutions to the challenge of climate change. Through WBCSD's Low Carbon Technology Partnership initiative (LCTPi), which launched in 2015, UPS and other companies have joined with solutions providers and governmental agencies to tackle emissions from road freight transport under the LCTPi Low Carbon Freight initiative. The partnership explores the potential for emissions reductions through optimization and collaboration between companies on road freight transport.



The solutions being proposed and designed in the partnership include improving the accessibility of cutting-edge fleet routing optimization tools for small- and medium-sized enterprises to eliminate unnecessary fuel consumption; sharing company assets to improve the utilization of distribution centers, trucks, and empty trailer space; deploying alternative fuel/electric vehicles and fueling infrastructure; and designing more efficient long-distance road vehicles and engine technologies.

As an LCTPi partner, UPS will collaborate, innovate, and share its learnings. The WBCSD will validate the emissions-reduction potential for a range of solutions in 2016 and beyond, and will subsequently design demonstration projects to test real-world value to companies.

We stay in regular contact with stakeholders on emerging sustainability issues and trends, and periodically receive inquiries and requests for engagement from stakeholder groups. We are also open to initiating new stakeholder engagement activities to help inform our strategy. In 2015, we convened a cross-functional group of internal stakeholders who have responsibility for our material issues to help develop a framework to focus current engagements and identify

new opportunities. This work will continue in 2016 and will develop a more formalized process to guide our stakeholder engagement strategy.

The following table summarizes the highlights of our stakeholder engagement on sustainability issues during 2015. More in-depth discussions about many of these topics may be found throughout the Report.

### Summary of 2015 Stakeholder Dialogue and Outcomes

Recommendation	Stakeholder Group(s)	UPS Action/Response
Understand material sustainability issues in UPS regions around the world	NGOs, Socially Responsible Investors, Employees	<ul style="list-style-type: none"> <li>Conducted materiality assessments in key business/operating areas: Asia-Pacific, Europe, ISMEA and Canada (pages 16, 17)</li> <li>Formalized international sustainability committees in local markets to develop and drive local sustainability strategies (page 16)</li> </ul>
Collaborate on development of GHG emissions reduction strategy for transportation and logistics sector	NGOs, Government Officials	<ul style="list-style-type: none"> <li>Joined World Business Council for Sustainable Development’s Low Carbon Freight initiative to explore new models and partnerships to reduce emissions (page 18)</li> <li>Continued participating with BSR’s Future of Fuels initiative to identify and promote transportation fuel pathways that will increase the availability of low-emission fuel options (page 75)</li> <li>Continued engagement with public-private partnerships where UPS leaders discussed business issues related to climate change with world leaders (page 51)</li> </ul>
Continue investments in alternative fuels and advanced technologies for fleets	Socially Responsible Investors, NGOs, Suppliers, Government Officials	<ul style="list-style-type: none"> <li>Collaborated with the U.S. Department of Energy’s National Renewable Energy Lab, among other partners, to test the fuel economy and emissions impacts of alternative fuels such as renewable diesel (page 91)</li> <li>Made further investments in natural gas vehicles and infrastructure, with additional deployments planned for 2016 and 2017 (page 88)</li> </ul>
Contribute to the development of long-term solutions for congestion and emissions in urban areas	Customers, City Officials (especially in Europe)	<ul style="list-style-type: none"> <li>Continued engagement with city officials to discuss and propose solutions (page 85)</li> <li>Continued development and testing of urban access solutions in select European cities (page 85)</li> </ul>
Disclose more details about supply chain and supplier engagement	NGOs, Customers	<ul style="list-style-type: none"> <li>Provided additional details about UPS’s supply chain, including categories and descriptions of supply chain partners, through sustainability reporting (page 56)</li> <li>Conducted research to better understand the economic impact of UPS’s supplier diversity program (page 56)</li> </ul>
Improve perception of UPS as an Employer of Choice	Employees	<ul style="list-style-type: none"> <li>Began development of an Employee Value Proposition that reflects the expectations, values, and concerns of current and prospective UPSers (page 26)</li> </ul>
Foster a culture that values diverse perspectives and innovative thinking	Employees	<ul style="list-style-type: none"> <li>Presented TED@UPS as a platform to celebrate the diverse perspectives of UPSers from various walks of life (page 34)</li> <li>Hosted an Innovation Challenge to recognize and share ideas and solutions throughout the enterprise (page 32)</li> </ul>

## 2.3 Sustainability Governance

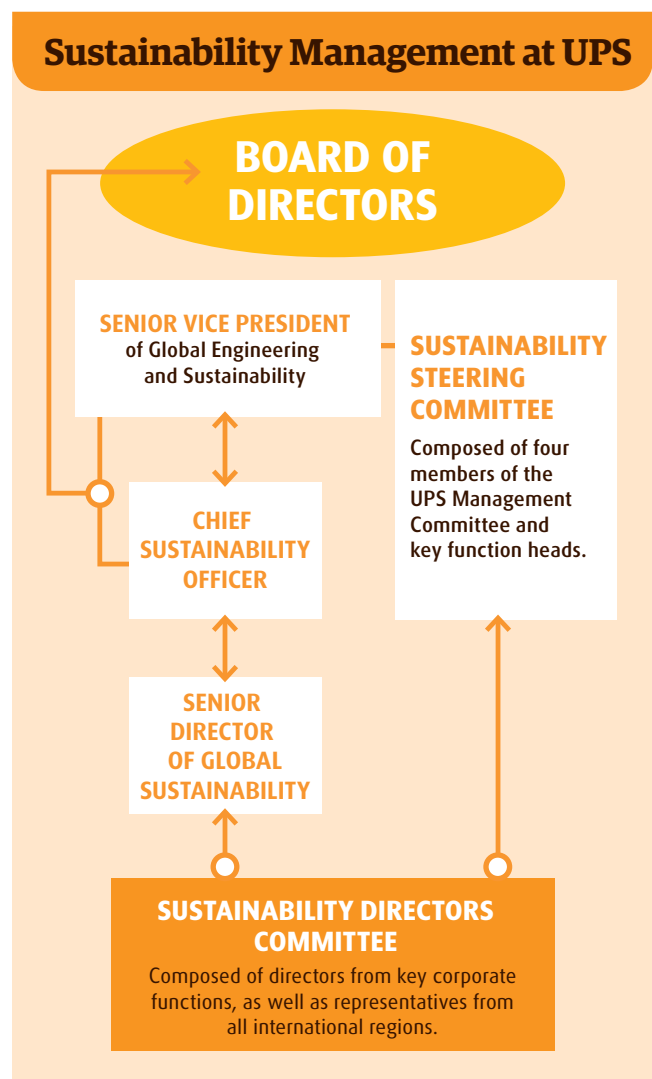
Detailed information about corporate governance at UPS, including structures, policies, and processes, may be found on our website at [www.investors.ups.com](http://www.investors.ups.com). In addition, we provide a comprehensive overview of corporate governance related to sustainability on our website at [www.ups.com/sustainability](http://www.ups.com/sustainability).

G4-35 G4-36 G4-45

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

UPS appointed its first Chief Sustainability Officer in 2011. This senior executive regularly reports to the Board regarding sustainability strategies, priorities, goals, and performance.

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





## UPS PERSPECTIVE

# Tamara Barker

CHIEF SUSTAINABILITY OFFICER



## I have been humbled and energized by the opportunity to join UPS's global sustainability team this year.

The people who previously carried the torch for sustainability at UPS have made so much progress over the past decade. That progress includes driving more than 800 million miles in our alternative fuel fleet since 2000, as well as reducing our carbon footprint by 14.5 percent since 2007 — not an insignificant feat for a business that depends on trucks and airplanes to serve customers around the world.

I am excited for the opportunity to take the torch and continue these efforts as we advance sustainability within UPS and create value for our stakeholders. We're focused on a range of activities, from exploring different ways to reduce absolute carbon emissions, to establishing a new set of sustainability goals and performance indicators to continue our progress.

While our activities are ambitious, they share a common factor for success: the spirit and passion of UPSers who drive sustainability efforts from the bottom up. Innovation and technology can take us far. Financial resources and investments are almost always necessary. But there's no substitute for the personal passion of our people, who are critical to catapulting us into the next era of sustainability at UPS.

I believe sustainability is an invaluable tool for broad employee engagement, cultivating a sense of belonging and creating positive impacts around shared goals. Increasingly, we hear from UPSers that sustainability is important to them, and sustainability has also become a key attribute of our company culture. And, like most companies around the world, we've learned that sustainability is something that millennials and subsequent

generations value in the workplace, and can be a powerful recruitment and retention tool in the years ahead.

In my previous role, I had a front-row seat to UPSers' perceptions about sustainability and saw an incredible level of enthusiasm and willingness to make a difference. But there is a knowledge gap we are working to close through more focused communication and engagement efforts. When we explain the complexities of sustainability, our people get it. When we provide opportunities for them to help, they're on it. But we must continue to find ways to empower people from the ground up. Whether it's establishing local recycling programs or suggesting disruptive ideas that make us think differently, our people want the tools and a framework to put their ideas into action.

We've created that framework and tools through the UPS Sustainability Ambassadors program. Initially focused solely on environmental issues, this global network of more than 5,000 UPSers was expanded in 2015 to include community impact to better reflect our comprehensive sustainability efforts. We have also added more structure to provide strategic guidance and better align with our sustainability and business objectives.

Having spent much of the last three decades working with UPSers across various functions, I'm especially excited about the potential to not only grow the number of Sustainability Ambassadors around the world, but also to increase the collective impact of these committed individuals. Though the challenges we face often seem daunting, I can't think of a better asset to have on our side than the talents and ingenuity of UPSers.

# 3

# Empowered People

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MATERIAL ISSUE	ASPECT BOUNDARY WITHIN UPS	ASPECT BOUNDARY OUTSIDE UPS	CORRESPONDING GRI G4 ASPECT	GRI G4 SPECIFIC STANDARD DISCLOSURES
<b>Workforce Diversity</b>	U.S. & International Package Operations, Global Supply Chain & Freight	Not Material	<ul style="list-style-type: none"> <li>• Diversity &amp; Equal Opportunity</li> <li>• Equal Remuneration for Women and Men</li> </ul>	G4-DMA, G4-LA12, G4-LA13
<b>Employee Health, Safety &amp; Well-Being</b>	U.S. & International Package Operations, Global Supply Chain & Freight	Not Material	<ul style="list-style-type: none"> <li>• Employment</li> <li>• Occupational Health &amp; Safety</li> </ul>	G4-DMA, G4-LA1 G4-LA2, G4-LA3, G4-LA6, G4-LA7
<b>Recruitment, Training &amp; Development</b>	U.S. & International Package Operations, Global Supply Chain & Freight	Not Material	<ul style="list-style-type: none"> <li>• Training &amp; Education</li> </ul>	G4-DMA, G4-LA9, G4-LA10, G4-LA11
<b>Labor Relations</b>	U.S. & International Package Operations, Global Supply Chain & Freight	Not Material	<ul style="list-style-type: none"> <li>• Labor/Management Relations</li> <li>• Freedom of Association &amp; Collective Bargaining</li> <li>• Labor Practices Grievance Mechanisms</li> <li>• Human Rights Grievance Mechanisms</li> <li>• Occupational Health &amp; Safety</li> </ul>	G4-DMA, G4-LA4 G4-LA5, G4-LA8 G4-LA16, G4-HR4, G4-HR12
<b>Ethical Conduct</b>	U.S. & International Package Operations, Global Supply Chain & Freight	Agents and outside service providers engaged by UPS	<ul style="list-style-type: none"> <li>• Anti-Corruption</li> <li>• Anti-Competitive Behavior</li> <li>• Compliance (Society)</li> </ul>	G4-DMA, G4-LA16, G4-S03, G4-S04, G4-S05, G4-S07, G4-S08

COMMITTED  
TO MORE

## Marlene Nazario

While driving a package car is hardly an easy task, driving it safely through the narrow cobblestone streets and rural paths of Puerto Rico requires even more skill. Marlene Nazario's safe driving skills were recognized in 2015, when she became the first female UPS driver in Latin America inducted into the Circle of Honor for 25 years of accident-free driving. "I'm extremely proud and very humbled by this," Marlene says as she reflects on her achievement. "I want to set an example for women in Puerto Rico and around the world to show them they can also do this kind of work and achieve success." Marlene attributes her track record to UPS's rigorous training program: "The training we receive on important safety methods helps me avoid accidents and drive defensively." She adds, "What's most important is returning home safely at the end of the day."







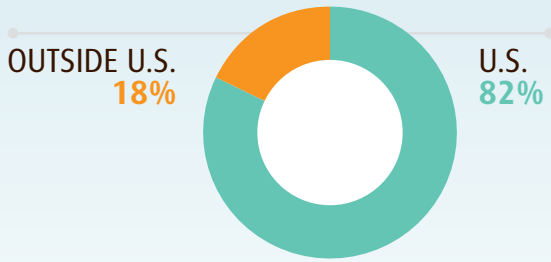
# Who We Are

A snapshot of our global workforce in 2015

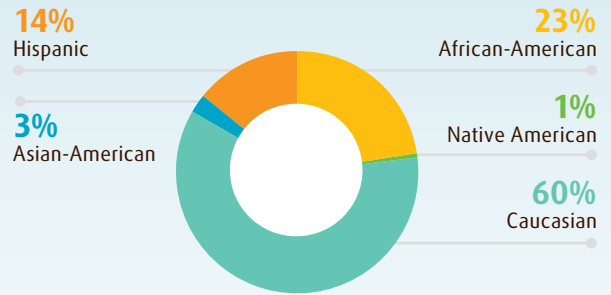
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## Total Workforce 444,000+

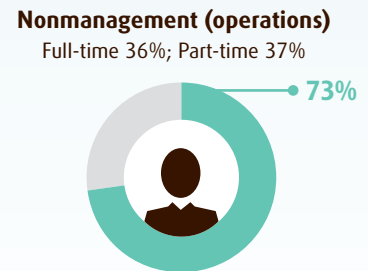
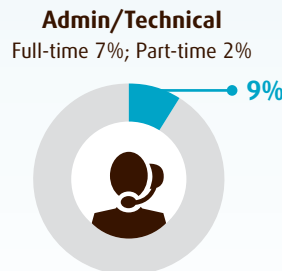
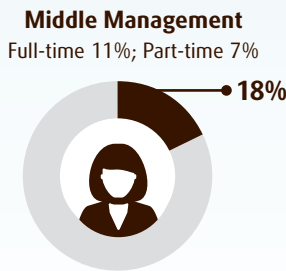


## Total U.S. Employees by Ethnicity\*



\*Categories may not total 100% due to rounding

## Global Workforce by Type Percent of Total Workforce

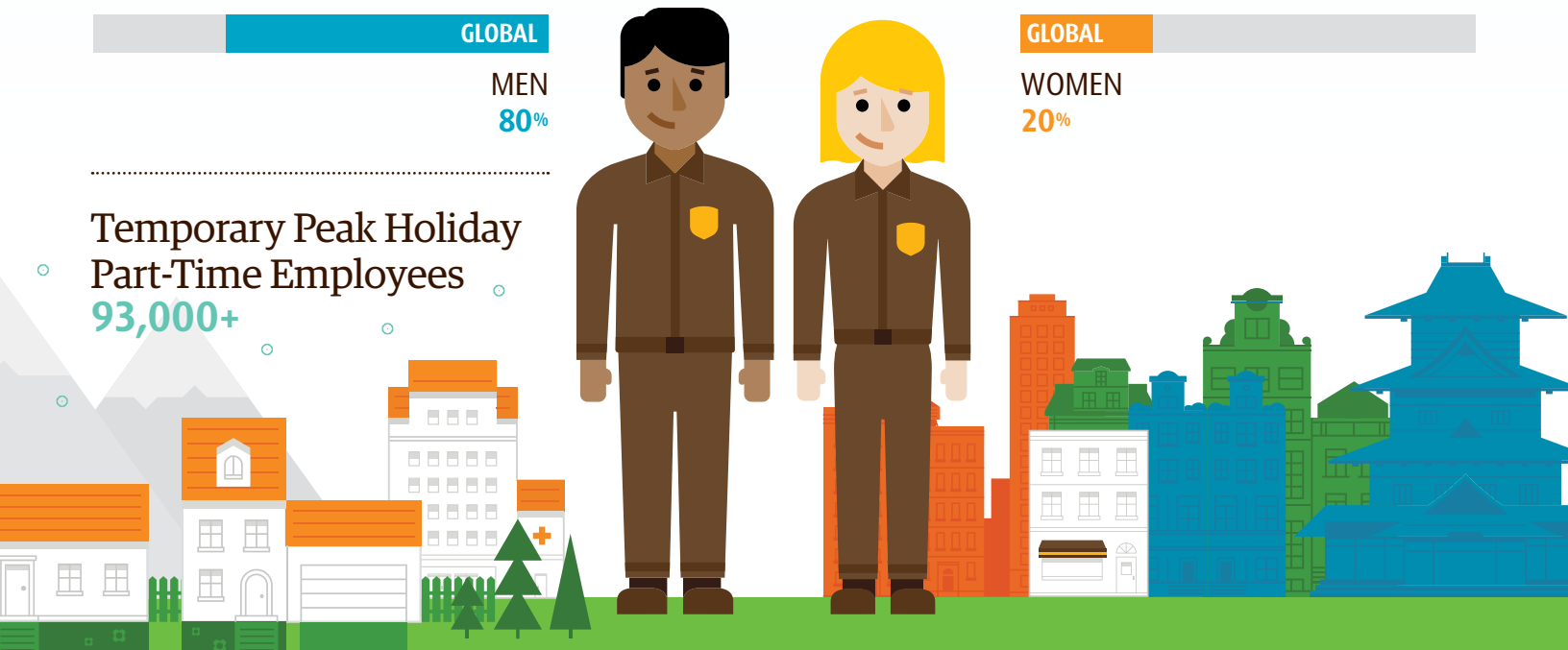


All **Senior Management** is full-time and represents 0.1% (494) of our total workforce

## Workforce by Gender



## Temporary Peak Holiday Part-Time Employees 93,000+



# 3.2

## Shared Management Approach

Dedicated UPSers — one of the largest private-sector workforces in the world — connect a global community through our intelligent logistics networks.

### G4-DMA

UPSers strive for excellence in everything they do — executing our business strategy, understanding and meeting customer needs, creating value for shareholders, and being responsible citizens. We believe our success as a company results from a set of core values that has enabled us to grow into a market leader.

There are several unique hallmarks that reflect business fundamentals at UPS. For example, as a transportation and logistics company, the safety of our employees and the public are of the utmost importance to UPS. We make significant investments in safety training and engineer safety processes into all aspects of our operations.

We also have a significant percentage of our workforce that is part-time and seasonal, which provides us with the flexibility to meet our business needs. Approximately 46 percent of our workforce works part-time on a year-round basis, and in 2015, we hired more than 93,000 seasonal employees in the fourth quarter to meet holiday customer service requirements.



We have a long history of promoting from within the company as a means of engaging and retaining our people, as well as bringing valuable experience and continuity to our business. Seventy-one percent of our global managers in 2015 began at UPS in nonmanagement positions, giving them firsthand experience with the issues impacting employees. Our ability to promote from within means that we invest heavily in the development of our people within their current positions and for positions of greater responsibility, but we also value bringing in outside specialists to expand our skillset and meet new challenges.

While our culture is strong, we continually evaluate how we work, how we engage our people, how we provide development opportunities, and how we define and deliver rewards. We do this in the context of what’s changing in the marketplace for goods and services, and for talent. Some of the realities that we face include:

- Growth in new geographies and new industries. This more diverse, global marketplace means that we must develop a more diverse, global workforce that is aligned with our expanding customer base;
- Intense competition for talent that cuts across all industries. Younger generations are less likely to stay with one company for the duration of their career and more apt to explore other opportunities. While we believe UPS offers attractive experiences and opportunities, in this environment we must continually enhance our employee retention and engagement strategies; and
- A need to externally acquire specialized skillsets. New technologies and innovations are emerging every day, and we may not always have internal resources to develop the skills needed for next-generation logistics solutions. When we recruit externally, we must be able to compete with employers outside the logistics sector.

Our Human Capital Strategy is aligned with our business strategy and continues to evolve to address these marketplace realities. The goal is to ensure our workforce investment generates the

## Human Capital Strategy

Three Strategic Initiatives Aligning Business and Human Capital Decisions

### Global Leadership & Talent

Identifying and developing high-potential employees, revamping performance management tools, and integrating new employees

### Global Total Rewards

Aligning our rewards portfolio — compensation, incentive pay, and benefits — to drive our talent attraction and retention strategy

### Employee Value & Engagement

Defining and delivering an employee experience that reflects the expectations, values, and concerns of UPSers

greatest returns for our people and our business. This strategy incorporates extensive and broad input that includes senior management executives, business unit and human resource (HR) managers, our Employee Engagement Survey, and benchmark HR data from more than 1,000 global companies.

Today our work focuses on three strategic initiatives, as well as the transformation of the HR function and its ongoing support required to run the business. The first strategic initiative, Global Leadership and Talent, is focused on building a strong global talent pool, which is vital to our ability to grow and create value. This initiative defines how we will acquire and maintain the desired talent, leadership, culture, and environment to successfully fulfill our business strategy. Among the issues we're facing are how to identify and increase development of high potential talent, how to address a workforce in which many are nearing retirement, and how to integrate our workforce with new employees with unique skill sets and experiences.

Global Total Rewards, our second initiative, is focused on better aligning our rewards portfolio to drive employee engagement and business outcomes. Our rewards portfolio is a significant component of the investment we make in people, including compensation, healthcare, retirement, voluntary benefits, short-term and long-term disability, and mobility support. We continuously evaluate the relevance of our offerings and their alignment with our objectives, as business needs and talent markets change, to ensure we can attract and retain the right talent for future growth.

Our Employee Value Proposition (EVP), our third initiative, defines the experience employees receive in return for their contribution and performance. It answers the question: "Why do we work for UPS?" The EVP will reflect our rich legacy while also creating an experience enabling future growth and sustainability. This becomes the framework for each of us and provides a clear expectation and understanding of what it means to be a UPSer.







### Performance Measurement

Effective two-way communications with employees help us define and execute our strategies, identify and address issues as they arise, and measure the performance of policies and practices. We often use employee insights to better understand the changing needs of our workforce, improve operational processes, design equipment, and enhance rewards and recognition programs.

One of the ways we gather employee input is through our Employee Engagement Survey (EES), which is conducted annually with all work groups. EES results are reported to all employees, including the Management Committee. We use a subset of EES data to calculate our Employer of Choice Index, one of four key performance indicators (KPIs) used to monitor and improve our workplace practices. We view the EES and the Index as continuous improvement tools, using the data in real time to drive and adjust strategies as needed. Our Employer of Choice Index was 64 percent in 2015, below our 2016 goal of 72 percent. In 2015, we made significant changes to the methodology of the Employee Engagement Survey. Going forward, we will have our survey include an engagement index to ensure relevance across our various employee groups. Year-over-year comparisons for this KPI are not instructive, given these changes to the survey and Index composition.

Another KPI is Full-time Employee Retention Rate, which decreased to 89.8 percent from 91.6 percent in 2014, but remains above our 2016 goal of 87.5 percent. In setting our 2016 goal, we projected a tenured workforce would cause our retention rate to decrease over time due to retirements. During 2015, we did see a slight decrease in our retention rate.

### Governance

Teri McClure, our Chief Human Resources Officer and Senior Vice President, Labor Relations, is a member of our Management Committee and is responsible for executing our Human Capital Strategy and related HR policies and management approach. Our employee policies are detailed in our Code of Business Conduct and Policy Book. Within countries where we operate our own facilities, HR teams are responsible for conducting periodic audits to ensure compliance with all applicable laws, regulations, and UPS policies, and implementing corrective plans as needed. Our UPS Corporate Compliance and Ethics Group conducts international regulatory compliance reviews in select countries to confirm that the audit and response process is working effectively.

## Empowering Employees to Give Back



**Kuohsien Huang**  
UPS Distribution Manager

Many people live for the weekend. For Kuohsien Huang, however, the weekend is about helping people live better. This UPS Distribution Manager in Tokyo spent 26 of 52 weekends in 2014 alone helping people in northeastern Japan rebuild their lives following the 2011 events at the Fukushima Daiichi Nuclear Power Plant. Each of his trips to the area involved five hours each way in a rental van with other volunteers. Kuo's contributions earned him the 2015 James Casey Community Service Award, which is given annually to the UPSer who demonstrates an exceptional commitment to helping others in their community.

Kuo, like many other UPSers, understands the personal empowerment and satisfaction that come with the opportunity to make a difference — in the life of an individual, the vitality of a community, or the preservation of the environment. UPSers around the world seize such opportunities every day by giving of their time and talents.

Those opportunities added up to 2.35 million volunteer hours in 2015, driving our cumulative total volunteer hours from 2011 through 2015 to more than 10 million. This puts us more than halfway to achieving an ambitious goal for our Decade of Service: 20 million volunteer hours by the end of 2020.

Helping others not only benefits our communities and non-profit partners; volunteerism empowers our employees and is an important tool in cultivating workplace engagement. Our Employee Engagement Survey shows that 97 percent of employees who volunteer indicate they are satisfied with UPS. Many of our volunteer projects also become a connection point for workplace recruitment.

Around the world, UPS volunteers engage in a range of projects, including tree plantings, food and supplies collection, packaging and distribution, participation in community fundraising events, and administrative support for organizations driving social change. UPS volunteers lead, advise, and assist in countless ways, including:

- Providing hands-on support to the Special Olympics World Games in Los Angeles in 2015. More than 300 UPS volunteers donated approximately 7,200 hours of their time — coaching, mentoring, and helping with the competition, as well as providing logistics expertise to help mobilize the week-long event;
- Teaching safe driving practices to teens and novice drivers in our UPS Road Code™ program, using sophisticated multimedia and teaching techniques drawn from UPS's own





driver safety methods. UPS Road Code™ training is offered at 147 sites in the United States, Canada, China, the United Kingdom, and Germany. An expansion in Mexico is planned for 2016;

- Speaking to schools, families, and children to promote the use of helmets for young people riding scooters in Southeast Asia. Their efforts are part of a multiyear program with the Asia Injury Prevention Foundation, which includes the purchase and distribution of 51,300 helmets funded by a UPS donation;
- Joining the Sustainability Ambassadors program, a global network of UPSers committed to doing more to positively impact communities and our environment. More than 5,000 UPSers around the world have joined the team to take part in challenges and activities, build their knowledge and skills, and find new ways to collaborate to achieve real results; and
- Helping with a variety of programs to support U.S. veterans, including the annual Paralyzed Veterans of America's (PVA) National Veterans Wheelchair Games. UPS has shipped wheelchairs for athletes and volunteers, and provided more than US\$1 million since 1988 to support the games and other PVA programs.

The volunteer spirit within UPS peaks each year during our annual Global Volunteer Month in October. In 2015, we worked with the International Association for Volunteer Efforts (IAVE) and Points of Light to rally our volunteer programs around the United Nations' Sustainable Development Goals. During the month, approximately 24,000 volunteers contributed more than 320,000 hours. Each year, we conclude the month of volunteerism with a US\$10,000 grant from The UPS Foundation to a nonprofit organization that a UPS employee volunteered with in each U.S. region and business unit. In 2015, grants totaling US\$9.6 million were awarded to more than 4,200 nonprofit organizations.

As with our business, the scope and scale of our volunteer efforts have the potential to make a significant impact. We never lose sight, however, that our impact is the result of individual commitment. As Kuo explains for so many of us, "At the Minamisōma City volunteer center we have a motto: 'Those who can, when they can, do what they can.' I'm fortunate that personal circumstances allow me to contribute."





STAKEHOLDER PERSPECTIVE

# Tracy Hoover

CHIEF EXECUTIVE OFFICER, POINTS OF LIGHT



**As you walk into our building, there's a statement on the wall: We envision a world in which everyone has discovered their power to make a difference, creating healthy communities in vibrant, participatory societies.**

The power to make change can take many forms — time, money, and influence, to name a few. As the world's largest organization dedicated to volunteer service, Points of Light has as our goal to help individuals more fully understand, access, and deploy their own personal power to create positive change. In turn, we help nonprofits — those that need the power — more precisely identify and apply resources to their respective problem-solving areas.

People are sometimes surprised that it takes an organization such as ours to connect individuals and causes. But often the most challenging part of volunteering is first figuring out what to do. We help people take those steps to determine what issues they are passionate about and what they can contribute.

Whether it's one person or a company of hundreds or thousands of people, our advice is always to start with what you do best. UPS is one of my favorite examples of a company that leverages its core business assets — logistics expertise and passionate people — to improve their communities and build the capacity of nonprofit organizations. While this may seem intuitive, not all companies take this approach.

Those companies that deploy their assets in a volunteer or pro bono capacity stand to reap numerous benefits. Well-designed employee volunteer programs help increase job satisfaction and morale, cultivate teamwork, and develop employee leadership

skills. In addition to managing volunteer projects and developing impact-focused programs, Points of Light provides companies with the tools, resources, and data points necessary to help them make the business case for volunteering to catalyze the growth and effectiveness of programming. In fact, recent research conducted by Points of Light and CEB shows that effective employee engagement programs can generate more than \$2,400 in value per employee through increased engagement and productivity, as well as reduced turnover. With its commitment to contribute 20 million volunteer hours by 2020, UPS stands as an exemplar of a business capitalizing on the mutual benefits of volunteerism.

Over the next three years, Points of Light will inspire and mobilize more people with more ways to do something great in their communities. Our goal is to mobilize 15 million changemakers and inspire millions more to use their time, talent, money, and voice to take action that helps change the world.

Through partnerships such as ours with UPS, there is tremendous potential to apply the cutting edge of business and technology to the civic arena for the greater good. We look forward to developing opportunities for individual volunteers to engage directly in our work, scaling the programs and learnings we've piloted in recent years. And, we are excited to see the power of changemakers evolve from a statement on our building walls into a reality in every community.



# 3.3

## Diversity & Inclusion

In the global business arena, diversity is no longer about workplace compliance. Today diversity and inclusion are core drivers for business growth and central to a company’s identity.

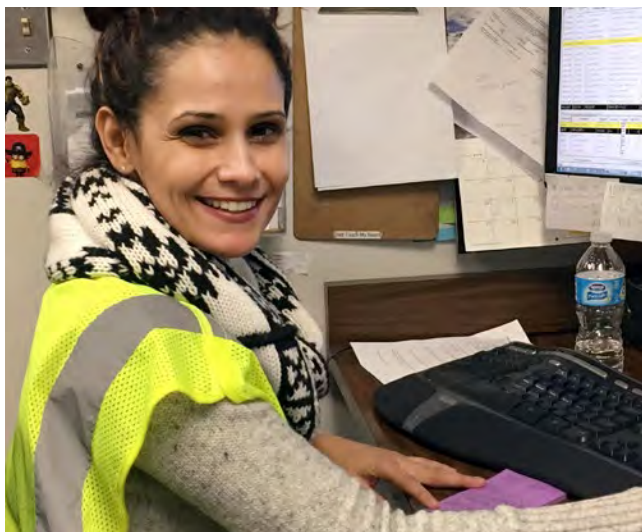
By leveraging diverse perspectives and creating inclusive environments, companies are improving organizational effectiveness, cultivating innovation, and driving growth. Diversity and inclusion also enable companies to adapt and excel in an ever-evolving global marketplace.

At UPS, diversity and inclusion benefit the economic sustainability of our business by helping us to better understand and meet customer needs, as well as strengthening our workplace environment so that employees can be more successful. We want to be a model for how diversity and inclusion can create business and societal value.

### Management Approach to Diversity & Inclusion

#### G4-DMA

Our management approach is based on the UPS diversity and inclusion mission to connect and empower our employees, customers, suppliers, and communities for success, embracing the dynamics of different backgrounds, experiences, and perspectives to propel our growth. This mission is grounded in the belief that diversity and inclusion are business imperatives.



Cultivating a diverse workforce and inclusive work environment can help increase talent engagement, foster innovation, enhance customer service, and ultimately drive better financial performance. As a global company serving more than 220 countries and territories, we recognize that diversity is defined differently around the world. We take a decentralized approach that is largely implemented at the local level.

In 2015, 40 percent of U.S. employees are considered ethnically diverse as defined by the U.S. Equal Employment Opportunity Commission. UPS takes a broad view of diversity, including visible characteristics such as race, gender, or age, as well as less obvious characteristics such as personality, ethnicity, ability, sexual orientation, education, religion, lifestyle, values, beliefs, experiences, backgrounds, preferences, family situations, or behaviors. These attributes make us both similar to and different from one another. Our history of fostering a diverse and inclusive workplace at UPS enables us to recognize, develop, and maximize the skills of our global team.

Today, we are taking an increasingly integrated approach to diversity and inclusion across stakeholder groups that include employees, customers, suppliers, and communities. Eduardo Martinez, UPS Chief Diversity and Inclusion Officer, leads these efforts globally, supported by the UPS Diversity and Inclusion Steering Council. The Council is chaired by our CEO and composed of senior leaders who set and support strategies for the organization while serving as visible champions for diversity and inclusion.

We expect our managers to be models for others. Annual performance reviews for managers include a component to evaluate how well the individual fosters an inclusive environment in which everyone is afforded opportunities to contribute and develop. The process of building a diverse workforce begins with recruiting talented people regardless of their race, national origin, sex, gender identity, sexual orientation, age, disability, or religion. We then reward and promote them based on their performance. We expect managers to foster



diverse, inclusive working environments, and we help many diverse groups support one another, exchange information, and engage with management. We are also broadening the level of diversity and inclusion education throughout our ranks. In 2015, for example, 76 percent of the UPS leadership team in the United States participated in workplace bias training, an initiative we piloted in 2014 and are expanding globally in 2016.

We hold ourselves accountable in our efforts to advance diversity and inclusion within UPS and measure progress through a Diversity and Inclusion Index. This Index is part of our annual Employee Engagement Survey (EES) and helps us measure perceptions of inclusion for diverse views and backgrounds. In 2015, we added an optional question about sexual orientation to the EES, to better understand the demographics of UPSers and their perceptions of inclusiveness at UPS.

As a global company, we believe our culture should reflect the diversity and inclusion that thrive both inside and outside our walls. Our integrated approach to diversity and inclusion addresses our people, suppliers, customers, and communities. Externally, diversity and inclusion are focus areas of The UPS Foundation, with investments in opportunities for underserved and underrepresented segments of society in the areas of economic empowerment, access to higher education, inclusion, and mentorship. We partner with organizations that are at the front line of advancing the values of diversity, inclusion, personal dignity, and professional development, especially when these programs leverage our people and company expertise. This integrated approach offers tremendous synergy. For example, The UPS Foundation funds organizations that help develop minority participation and placement in engineering programs, that help UPS in its recruitment of minority engineers.

### Employee Business Resource Groups

Employee Business Resource Groups (BRGs) offer networking and learning opportunities outside of regular work teams. The number of BRGs grew 49 percent in 2015, reflecting the passion and commitment of local BRG leaders and members. At the end of 2015, we had 118 locally chartered entities around the world, up from 79 chartered entities in 2014, and 85 of which were locally chartered BRGs in the United States.

All BRGs have advisors and sponsors among senior management. BRG sponsors, who are members of our Management Committee, help connect BRGs with people at the highest levels of UPS, so the BRG can best align their objectives with those of the company. Executive sponsorship also ensures leaders have firsthand knowledge of the benefits that naturally come from a diverse and inclusive partnership in an organization that continues to expand its international business.

BRGs at UPS make significant contributions to growing the business and supporting the communities we serve. As an example, our Latino/Hispanic BRG, also known as Crecer, helped expedite the translation of [www.ups.com](http://www.ups.com) into a Spanish dialect for U.S. audiences. Available in Spanish for years in select countries, the site can now better support individuals and U.S. business users whose native language is Spanish, as well as companies targeting the Hispanic market. This market is the largest ethnic or racial minority group in the U.S., representing 17 percent of the population.

The UPS Millennial BRG also contributed a big technology enhancement in 2015. By collaborating with another group, Team OPS, the BRG participated in an internal Innovation Challenge to develop a “Helper App” to support seasonal driver helpers. With more than 93,000 seasonal employees hired to





help drivers ring in the holidays, it is impractical and costly to provide our proprietary delivery tracking device for each of these temporary helpers. Rather, we need a way for helpers to record package deliveries through an easy-to-use app that does not require time-intensive training. The groups presented their app to the UPS Management Committee in early November, and the solution was used in several U.S. facilities during peak season. We plan to roll out this new solution in 2016.

### Women at UPS

Women are an ongoing focus of our diversity and inclusion strategy. This is a strategic imperative because many front-line positions in our business, such as drivers and package handlers, have historically attracted more men than women. In 2015, 30 percent of management and specialists were women, compared with 29 percent in 2014. The overall UPS

workforce was 20 percent female in 2015, as it was in 2014. Though we recruit women diligently for these jobs through a number of targeted outreach efforts and advertising, and they perform them successfully, men respond to front-line job opportunities at UPS in greater numbers than women. Coupled with our focus on promoting from within, this has created a need for us to develop and retain women for supervisory and management positions. Our Women’s Leadership Development (WLD) BRG encourages women in management to remain with the company and develop their careers within UPS. There are 25 WLD groups in the United States for women seeking to develop their leadership capabilities. WLD is also active in 32 locations across all of our international regions. These groups are critical to helping us recruit, develop, and retain women at all levels of the company.

G4-10

G4-LA12

## 2015 Statistical Snapshot of UPS Diversity

	Age Group (Global)			Gender (Global)		Minority Group (United States)			
	<30	30-50	>50	Female	Male	African-American	Hispanic	Asian-American	Other*
<b>GOVERNANCE BODIES</b>									
Board of Directors	0%	9%	91%	27%	73%	9%	0%	0%	0%
Management Committee	0%	9%	91%	27%	73%	18%	0%	0%	0%
<b>EMPLOYEE CATEGORIES</b>									
Senior Management	0%	38%	62%	20%	80%	11%	4%	2%	2%
Middle Management	23%	55%	22%	28%	72%	18%	11%	4%	2%
Admin/Technical	23%	57%	20%	55%	45%	22%	13%	5%	2%
Nonmanagement (Operations)	29%	50%	21%	13%	87%	24%	15%	2%	2%

\*Native American, Hawaiian Islander, and “Two or More.”

## TED@UPS

A spirit of inclusiveness permeated the first TED@UPS event, held in 2015 as a platform for employees to share ideas. Speakers from all walks of UPS life addressed the importance of pushing forward through obstacles under a common theme of “Think. Solve. Do.” Participants gained insights from 15 UPSers who spoke on topics ranging from alternative fuels and 3D printing to empowering people with disabilities and solving the hunger crisis. Great moments from the talks reflect the remarkable diversity of experiences and perspectives that exists among UPSers. Below are some memorable quotes from the day.



*“Over 98 percent of exporters are small- and medium-sized businesses. The borders that they have a hard time crossing are the ones they establish for themselves.”*

**Scott Szwast**, UPS Vice President of Corporate Strategy, who helps companies expand into international markets

*“When most people talk about global hunger, they think the problem is that there isn't enough food in the world. The problem isn't the lack of food. Hunger is a logistics problem.”*

**Esther Ndichu**, UPS Director of Public Affairs, Middle East & Africa, who responds to disasters and humanitarian crises

*“It would appear that our nasty, smelly organic waste is perhaps not quite so useless after all.”*

**Peter Harris**, UPS Europe Director of Sustainability, on a plan to use methane from landfills as a renewable fuel source

*“The uninformed call it ‘gender confusion.’ No one would choose to make such a drastic change out of confusion.”*

**Kelly Lepley**, UPS pilot who transitioned to her identity as a woman

*“This next song I want to play for you is an instrumental. It's one I wrote on my route, on my lunch break.”*

**Johnny Staats**, UPS driver who plays mandolin and guitar, and performed two songs at TED@UPS



## UPS PERSPECTIVE

## Eduardo Martinez

CHIEF DIVERSITY AND INCLUSION OFFICER AND  
PRESIDENT, THE UPS FOUNDATION



**Connecting. Integrating. Alignment around a shared vision. These are the “must haves” for an organization that seeks to realize any important strategic objective.**

Only when we harness all of our resources in an integrated manner can we elevate performance to the top tier. We take this approach in every aspect of our business, and especially so when it comes to our foremost enterprise imperatives: diversity and inclusion.

As a people-centric company, we have a focus and a rich legacy of diversity within the company and through support of our communities. But we are living in a dynamic, global marketplace, and people and communities are connected like never before. Our approach to diversity and inclusion must also keep pace and evolve with the world around us. We call it “One UPS, One World,” where we are leveraging our approach to diversity and inclusion across key stakeholders: employees, customers, suppliers, and communities. We see significant potential to do more and be more by integrating these often disparate efforts into a well-coordinated strategy that leverages people and resources across a complex global organization.

The opportunity is compelling, the connections are ready to be made, and the payoff can be powerful. For example, much of the philanthropic investments made by The UPS Foundation, which I am honored to lead, are with organizations and programs that improve the lives of diverse and underserved communities. The goal is to expand economic opportunity for those who are too often left behind. That economic opportunity can nurture minority and women business owners, who, in turn, we may support through our supplier diversity program. This initiative mentors business owners, facilitates hundreds of millions of dollars in purchases from them each year, and

generates thousands of jobs in the local economies. As we help these entrepreneurs flourish, we are simultaneously developing potential new customers within diverse demographic segments — an important objective to grow our business.

“One UPS, One World” leverages the opportunity to make connections and drive the development of a comprehensive, enterprise-wide diversity and inclusion strategy that aligns our many capabilities, initiatives, and investments in human and financial capital. It builds upon existing efforts of The UPS Foundation in human resources, procurement, marketing, and other functional areas. I’m convinced that the whole is, indeed, greater than the sum of its parts. With a coordinated strategy we can take on bigger challenges, realize more progress, and create greater impact.

The pursuit of our diversity objectives is a clear business imperative, and the same holds true with our goals for inclusion. We define inclusion in a very concrete way — where every employee not only has a place at the table, but also feels free to bring their whole self to the table and is not constrained to hold back in any way. Energizing a culture that is fully inclusive and welcoming to all connects directly to our goal of strengthening engagement across our global workforce. Just as achieving our diversity objectives will contribute to business growth, empowering highly-engaged employees in an inclusive workplace will make us a stronger, more innovative, and, ultimately, more sustainable and profitable company. And that’s good for all of us.



## 3.4 Employee Health, Safety & Well-Being

Our business requires our people to meet challenging deadlines throughout the day while operating more than 110,000 vehicles, 2,580 facilities, and one of the world's largest air cargo fleets. The only way to maintain a high level of commitment to our customers is with a matching commitment to the health, safety, and wellness of our people. We invest millions of dollars and millions of hours in health and safety training every year, as well as coaching each other regarding wellness.

### Management Approach to Employee Health, Safety & Well-Being G4-DMA

A commitment to employee health, safety, and well-being permeates our culture and informs the design of our products, processes, and supply chain. We take a whole-person management approach, offering a wide variety of guides, training, processes, programs, and benefits to promote employee health, safety, and wellness. These include companywide initiatives, as well as plans and programs specific to the countries in which we operate.

We use a Comprehensive Health and Safety Process (CHSP) to improve the overall health and safety environment for UPS employees. Working closely with our unions, there are more than 3,300 CHSP committees worldwide, which are co-chaired by employees and management. The committees conduct facility and equipment audits, perform work practice and behavioral analysis, conduct training, and recommend work process and equipment changes.



Training and recognition are critical components to continuously encouraging a culture of safety. Safety professionals at UPS teach a comprehensive range of workshops, certifying frontline managers and supervisors who, in turn, instruct employees in the specifics of each course. We customize training to meet market-specific standards and continually enhance training techniques with current multimedia technology. We recognize and reward employees with exceptional safety records and encourage our people to strive for the same high standards.

### Global Wellness: Five Being Habits

At UPS, safety begins with a healthy individual who actively mitigates risks at home and on the job. Taking this all-encompassing approach helps instill a healthy, safe mindset among employees even before they begin work. We follow a global wellness guide called the Five Being Habits that focuses on five areas of wellness: fitness, sleep, nutrition, stress management, and hydration. These habits serve as actionable measures that employees and their families can take toward healthy lifestyles. In 2015, we rolled out the Five Being Habits on a standardized basis across the global enterprise, translating the program into 15 languages on a Five Being Habits pocket card, which was distributed to employees.

Wellness Champions within each CHSP Committee use these five habits to drive messages of wellness as part of their efforts to support health and well-being among their peers. Providing an encouraging voice for their work locations, our wellness champions help disseminate information and implement programs on smoking cessation, healthy eating, and other areas of wellness. For example, at the UPS facility in Petaluma, California, wellness champions have implemented yoga classes, provided nutritional guidance, and promoted heart health awareness.

### Safety Training and Policies

UPS employees receive over 3 million hours of safety training each year. In 2015, health and safety training comprised more than US\$184 million of the US\$844.9 million that we spent on total training. Safety training courses include UPS Safe Work Methods, which help address the major sources of known risk to our employees, as well as annual and periodic courses on defensive driving, accident investigation, respiratory protection, hearing conservation, conveyor safety, hazardous material/emergency response, and others.

We supplement formal safety training with mentoring programs that enable employees to learn from others with more experience. For example, in the Drivers Driving Safety mentoring program, drivers who have been inducted into the UPS Circle of Honor, a recognition for driving 25 years without an avoidable accident, meet regularly to review issues and encourage other drivers to make improvements as needed.

During 2015, we strengthened our focus on safety leadership through the development of Quality Validation Assessments (QVAs). QVAs are used to verify and measure the effectiveness of safety and wellness leadership; daily planning and execution; as well as communication and coaching. We also created and implemented the Telematics Safety Rank & Rate report for our U.S. Domestic Small Package Operations. This report measures driver behavior such as failure to use seatbelts and texting while driving. Already, this reporting tool is helping to reinforce safety behaviors among service providers.

Also during 2015, two training and accountability initiatives were implemented in advance of federal safety regulations. In our transportation operations we developed and delivered training for new collision mitigation systems. In our Freight operations, we developed and delivered training for Collision Mitigation Systems installed on tractors. Currently, we have 2,800 vehicles with collision mitigation systems and intend for all future UPS tractors to be equipped with this technology. In our U.S. Small Package Operations, we provided education to managers regarding the Federal Motor Carrier Safety Administration's Compliance, Safety & Accountability (CSA) program. CSA quantifies the on-road safety performance of carriers and drivers to identify safety problems around seven measurements such as driver fitness and vehicle maintenance.

An ongoing focus is to enforce stringent policies governing working hours, rest hours, rest facilities, and leave times for people who drive and operate vehicles. These policies are tailored to the different types of work we do and how we do it, as well as to the laws and regulations in the countries, states, and other political entities where we operate, and are often included in contracts with collective bargaining organizations. We regularly complete interviews, surveys, document reviews, and site inspections to evaluate the quality of our safety efforts and audit how well we conform to safety policies. These activities also inform decisions around strategic changes that are necessary to better serve our people as our business grows.

## Circle of Honor: Recognizing Outstanding Safety Performance

We recognize and celebrate outstanding safety performances among our drivers. We induct UPS drivers who have reached 25 years of service without an avoidable accident into our "Circle of Honor." It is truly an honor among UPSers to enter the Circle because so many of us have been drivers and know what it takes to avoid accidents day in and day out. Today, 8 percent of the 102,000 UPS drivers on the road — up from 4 percent in 2012 — are Circle of Honor members.

In 2015, 1,613 drivers were inducted into the Circle of Honor, 50 of whom were women, including our first-ever Latin American female inductee, Marlene Nazario, a package car driver from Mayaguez, Puerto Rico. Many other members of the Circle of Honor continue to maintain an exemplary safe driving record long after 25 years. Collectively, the 8,703 drivers in the Circle of Honor have logged more than 5.3 billion miles — enough to travel to Mars and back 19 times.



## Empowered People

### 3.4 Employee Health, Safety & Well-Being



#### 2015 Safety Performance G4-LA6

Employee safety KPIs cover our entire global operations. In 2015, we recorded 9.48 auto accidents per 100,000 driver hours. This is an improvement over 2014, yet still above our 2016 goal of 9.00, primarily due to unprecedented winter weather in parts of the U.S. in early 2015. Improvements are a result of investments in more consistent training, as well as collision mitigation systems installed on select vehicles.

We recorded 1.87 lost-time injuries per 200,000 hours worked in 2015, a slight increase over 2014 and above our 2016 goal of 1.75. We attribute this increase to unprecedented winter weather, as well as a boost in new hires, which resulted in a less-experienced workforce in the short-term.

In 2015, 79.9 percent of injuries in the United States, Canada, and Puerto Rico involved men; the remaining 20.1 percent involved women. In these geographies, we use the Safety Health Risk Management Information System to track this data. We are planning to deploy an International Incident Reporting Tool in 2016. We do not currently report similar data in other countries, and we do not currently track days of absenteeism.

We deeply regret the fatal accidents that claimed the lives of nine UPS employees in 2015, all of whom were men. All of the fatalities involved auto accidents. Whenever an accident occurs on the job at UPS, our management invests a significant amount of attention investigating the contributing causes and improving procedures and safety training where necessary.

#### Health and Benefits G4-LA2

In 2015, UPS provided health benefits for more than 357,000 employees, retirees, and their dependents. We administer several benefit plans to meet the health and wellness needs of various employee groups. In addition, we make contributions on behalf of employees in union-administered plans. While there are variations in available plans, the following is an overview of UPS employee benefits:

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

In many countries around the globe, we contribute to social security systems that generally provide health, unemployment, disability, and retirement benefits for employees in that country. In addition to government systems, we provide healthcare coverage for more than 37,000 employees outside the United States.





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

In the United States, our Employee Assistance Program (EAP) provides practical information, referrals to trained professionals, and support for a wide range of work/life issues, from financial concerns and child care to substance abuse and bereavement. Since we began the EAP in 2006, nearly 630,000 UPS employees and/or household members have benefited from it.

#### **Other Benefits & Availability** G4-LA2 G4-LA3

We further invest in our people by offering a competitive range of other benefits in addition to those for health and wellness. In the United States, these other benefits are generally provided to non-union employees without regard to full-time or part-time status. They include:

- Retirement plans
- 401(k) plans
- Tuition assistance
- Discounted employee stock purchase plan
- Paid time off
- Employee discounts
- Relocation programs

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

Under the U.S. Family and Medical Leave Act (FMLA), UPS employees in the U.S. are eligible for parental leave if they have worked for UPS for at least 12 months, and 1,250 hours over the previous 12 months. Additionally, any UPS employee who is not eligible according to the FMLA requirements but has worked at UPS for a minimum of 36 consecutive months and for at least 625 hours during the previous 12-month period may still be eligible for leave under the UPS FMLA policy. In 2015, many of our employees would qualify for FMLA leave as well as short-term disability maternity leave for pregnancy. In addition, there are state laws that offer greater protections or have eligibility requirements different from the federal law.

# 3.5 Recruitment, Training & Development

Our industry, customers, and the world's transportation infrastructure are changing constantly because of new ideas, new technology, and new environmental challenges. To sustain our success and to continue to do more for customers, we constantly seek ways to innovate our processes and expand our technology. This is why we invest in training, educational opportunities, and developing the leadership potential of our employees.

## Management Approach to Recruitment, Training & Development G4-DMA

We believe UPS employees are among the most motivated, high-performing people in our industry. This gives us strong reason to recruit good people and keep them with us for the long term. Our management approach includes:

- Promoting from within;
- Offering a range of training and talent development opportunities; and
- Identifying employee potential early to accelerate career development.



When the business cycle or other forces drive changes in our staffing needs, we take steps to retain people rather than release them. These steps include promoting from within before considering a new hire, transferring employees into equivalent positions in other departments, and training them for new assignments. This approach and investment contribute to our high employee retention rate.

Promoting people from within is a long tradition at UPS. These practices include:

- Part-time workers moving into full-time positions;
- Nonmanagement employees moving into management positions; and
- Supervisors and managers moving into positions of greater responsibility.

Over 70,000 current full-time drivers were once part-time employees, and over 50,000 of our management team, including most vice presidents, were once nonmanagement employees. Our part-time workforce totaled approximately 200,000 people at any given point during the year. During the year, 15,860 part-time employees advanced to full-time work. As of year end, our management ranks included 4,450 employees who were promoted into management for the first time. We encourage internal promotions by posting available positions in the United States on [www.upsjobs.com](http://www.upsjobs.com).

We offer employees at all levels of the company a range of training and development options, and cultivate an environment that encourages continuous learning. This strategy is ingrained in our culture and ensures employees have the skills and knowledge required to perform their current jobs successfully. It also invites them to learn from each other and continue to develop throughout their careers.



## Recruitment

We recruit talented people, regardless of their race, color, national origin, sex, gender identity, sexual orientation, age, disability, or religion. We also strive to recruit people from within the local community, both in the United States and in our international locations. Among 47,172 full-time management employees, 233 came from outside the country where they worked in 2015. The majority of our international senior management employees are working for UPS in their home countries.

Communicating a compelling Employee Value Proposition (EVP) is key to our ability to successfully recruit a qualified, diverse workforce in competitive markets. As we work to evolve our EVP for new implementation in 2016 to remain competitive in the labor market, we continually enhance recruitment messages in help wanted advertising, social media, recruitment events, and other communication vehicles.

We also are leveraging technology to improve the candidate experience in the recruitment process. For example, we offer a mobile apply feature that allows candidates to complete their employment application using a mobile device or tablet. In 2015, more than 50 percent of our applicants came through a mobile app or social media. We also are using a digital recruitment portal in 34 countries around the world and continue to explore ways of leveraging technology to improve the efficiency, consistency, and accuracy of global recruitment efforts.

U.S. veterans are an ongoing focus of our recruitment efforts. In 2015, we launched a new website and free mobile app to help U.S. veterans and transitioning service members find civilian careers. The UPS Veteran Career Gateway and the UPS Military Transition App provide a powerful set of tools and a vast library of information for the entire job search process at UPS and beyond. The free resources include an interactive map of available UPS positions, a direct link to the application process, and a unique Military Skills Translator — a job-matching

tool that suggests specific UPS job openings based on a veteran's military occupation. For jobs outside UPS, the website and app offer articles and videos with advice on networking, making the most of job fairs, using discharge papers to improve resumes, interviewing, and more, as well as links to job boards and fairs, and training programs.

In 2015, we also launched the Veterans Management Training Program, designed and developed by our Corporate Leadership and Talent Development team. The three-month program is a recruitment and placement effort for transitioning military officers interested in leveraging their leadership experience in the private sector. We piloted the program in Seattle with five service members embedded in UPS operations, observing and shadowing frontline management as they performed their job responsibilities. Four of the five participants were hired at the conclusion of the 12-week program. We plan to expand the program in 2016 to additional locations, increase the number of cohorts, and implement enhancements to make it sustainable over the long term.

As part of the White House's Joining Forces program, UPS is committed to hiring 50,000 veterans by the end of 2018 and supporting veterans and Veteran Service Organizations with 50,000 employee-volunteer hours. Since making this pledge in 2013, we have hired over 45,700 veterans, more than 15,700 of whom joined the company in 2015.

## Training & Development G4-LA9 G4-LA10

Our approach to training and development is one of shared responsibility among the company, individual employees, and their managers. We offer a wide range of training and development opportunities that combine education, exposure, and experience for employees at every level of UPS, so they are prepared for today's tasks and tomorrow's challenges. We connect employees with career development resources and support their decisions to take advantage of the vast opportunities at UPS.





## Empowered People

### 3.5 Recruitment, Training & Development

We are evolving toward a more self-directed development model in which our employees and their managers collaborate to determine beneficial training programs and development opportunities. Training and development includes constructive feedback, coaching, and counseling from managers and co-workers. Employees receive formal and informal training delivered through live and virtual classrooms, as well as on the job. Additionally, self-development opportunities are available around the clock through an extensive e-learning library in UPS University, our enterprise-wide learning management system that helps employees develop and hone skills that will help them succeed in their roles within the company.

In 2015, we spent approximately US\$844.9 million on training. Female employees received an average of 29.0 hours of training and male employees received 30.1 hours. Training by employee category is shown in the table below.

#### Training by Employee Category

Employee Category	Average Number of Training Hours per Employee in 2015
Senior Management	20.8
Middle Management	52.9
Technical/ Administrative	8.6
Nonmanagement (operations)	23.8

#### Formal Education

UPS offers one of the most generous tuition reimbursement programs in the marketplace, helping college students finance their education and attend school while working part-time or full-time at UPS. Our "Earn & Learn" program provides a lifetime maximum of US\$25,000 for a college education. While a great benefit for employees, Earn & Learn is also an important recruiting and retention tool for UPS. The program helps us attract college students to fill many of our part-time positions, and turnover among program participants is significantly lower than among nonparticipants. In 2015, UPS invested more than US\$23 million in the college education of over 10,000 employees. This investment included more than US\$11 million in tuition support to approximately 4,690 UPS-employed students through our "Earn & Learn" program for part-time, non-union employees. Since the program began in 1997, we have invested over US\$535 million in tuition assistance towards the college education of more than 268,000 UPS employees.

#### Development and Talent Management G4-LA11

We encourage all management employees to continue their career development and job-related education. Our comprehensive talent management cycle encourages continuous employee development. Employees use an annual performance review, career development planning, and continuous feedback to set measurable performance goals. This allows us to measure actual performance, recognize accomplishments, and identify areas for continued development.





Annual performance discussions, including leadership skills and multi-rater feedback, prepare management teams for career development. Through career development, management employees identify interests, aspirations, and plans for future professional growth. These discussions determine strengths and opportunities, and encourage individuals to focus on career goals. In 2015, performance reviews were conducted for 91.8 percent of female management employees and 92.0 percent of male management employees. Leadership potential and development needs were discussed and development activities planned for 79.8 percent of management employees in 2015.

#### **2015 Enhancements**

During 2015, we focused a significant amount of our training on providing employees with skills that empower and enable optimal performance. Enhancements during the year included expansion of UPS Integrad® training centers to three new locations in Menlo Park, California; McKinney, Texas; and Atlanta, Georgia. UPS Integrad training centers provide drivers and their direct supervisors with experiential training, modeled on the philosophy of “teach me, show me, let me.” The program uses a mixture of 3-D computer simulations, webcast learning modules, and traditional classroom instruction to complement hands-on safety, delivery, and customer service training in a controlled environment. We will continue to invest in Integrad training facilities around the world.

Also in 2015, we developed an On the Job Supervision (OJS) Methods Workshop, a practical, hands-on, five-day course that trains UPS On-Road Supervisors to conduct effective OJS rides

and post-OJS ride review meetings with UPS Driver Service Providers. The comprehensive training includes pre-course activities and pre-assessment in UPS University and a five-day, instructor-led workshop. The workshop includes a full-day OJS ride with a driver, a post-ride assessment to ensure mastery of content, a three-day OJS ride with a driver from the supervisor’s workgroup immediately following the course, and a post-course review meeting.

#### **Management & Leadership Programs**

We provide a number of external programs for career development. These include support for professional certifications and attendance at seminars and conferences. Our Executive Development Program also offers several unique opportunities, such as Executive Perspectives, which includes an applied learning project that the training class presents to the UPS Management Committee; Corporate Perspectives, a two-week rotational experience at UPS headquarters; and the UPS Community Internship Program (CIP).

Developed more than 40 years ago, CIP is a full-immersion leadership development experience where senior managers work for three weeks within a community to address a variety of social and economic challenges facing today’s workforce. This program challenges leaders to be innovative and creative in working with their partners to enhance the communities where they were assigned. In the process, these senior managers grow both personally and professionally — well beyond what could be experienced in a traditional training setting.

## 3.6 Labor Relations

### Management Approach to Labor Relations

G4-DMA G4-11 G4-HR4

UPS is one of the largest private-sector employers in the world, with more than 444,000 employees. We also are one of the largest unionized employers in the United States, with more than 75 percent of our people in the U.S. covered by collective bargaining agreements, including almost everyone who handles or transports packages. So everything we do requires trust and teamwork between labor and management. For example, few things matter to customers more than reliability. To maintain business continuity and minimize disruptions, we must maintain successful relationships with workers and their unions. All these factors make Labor Relations a material aspect for UPS.

We work closely with organized labor in the United States and employee representatives in all our international operations to build and maintain long-term, constructive, and mutually beneficial relationships. We communicate frequently with our people and their unions at many levels of the company to ensure that all parties are working toward positive results for UPS employees and other major stakeholders. UPS also works with organized labor on key environmental issues. For several years we have served on the Corporate Advisory Board of the Blue-Green Alliance, a group of labor and environmental organizations, to discuss emerging environmental issues and solutions.

As a result of this management approach, we believe UPS is one of the most successfully unionized large companies in the United States. We employ more members of the International Brotherhood of Teamsters than any other company in the world. Approximately 2,500 pilots who flew for UPS Airlines in 2015 also belong to a union, the Independent Pilots Association (IPA). We are not aware of any operations or suppliers in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk.

#### **Good-Faith Bargaining**

We bargain in good faith on all matters that involve our unions and the employees they represent. This includes dealing with union leaders at the national level and also working with local chapters of our unions throughout the United States. We train



and develop our regional and national labor relations experts for years to prepare them for their responsibilities.

In 2014, the Teamsters voted to approve a new National Master Agreement and related local agreements, which extend through July 31, 2018, covering package delivery operations and freight operations. During the year, we also continued our engagement with the IPA. Unfortunately, despite best efforts on both sides, we were not able to successfully conclude negotiations with the IPA on a new labor agreement. UPS and the IPA are still in active negotiations with the National Mediation Board (NMB), the agency which has successfully mediated all previous negotiations. UPS and the IPA remain committed to bargaining in good faith and working with the NMB to reach agreement.

#### **Health and Safety Provisions** G4-LA8

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

#### **Minimum Notice of Operational Changes** G4-LA4

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



**Formal Grievance Processes** G4-LA16

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

**Benefits of Strong Labor Relations** G4-LA5

The constructive nature of our labor relations helps us in two vital areas of success for UPS: competitive excellence and exemplary safety. With respect to the former, winning in the marketplace is what enables us to pay high wages for union workers and support them in many other ways. Because our marketplace is both dynamic and competitive, we need flexibility to adjust services, routes, and prices as conditions change. It is impossible to write all such detailed changes into union contracts, since they can run for up to seven years. The Joint Competition Committee meets regularly to address competitive threats and takes action (between contracts) as necessary to protect our business and grow union jobs. For example, when other companies use non-union labor to offer lower rates than we do for particular routes or services, the Competition Committee looks for solutions that enable UPS — and union workers — to compete effectively for the business.

Safety is another area where we benefit from strong labor relations. We continually seek to increase the safety of our facilities, equipment, and operating procedures, gathering ideas for improvements and upgrades from our Comprehensive Health and Safety Process (CHSP) members. There are more than 3,300 CHSP Health and Safety Committees worldwide, all of which are employee-led and supported by management. The framework for the CHSP allows for approximately 10 percent of the workforce to participate on safety committees, which represent all employees.

Our joint UPS-IPA Safety Task Force is another example of collaboration with employees to increase safety. The task force, composed of three members each from UPS management and the Independent Pilots Association (IPA), has worked with the Federal Aviation Administration, Boeing, Airbus, safety vendors, and other industry experts to examine in-flight fire safety enhancements in airplanes.

Among the solutions UPS has implemented over the past five years are industry-first, fire-resistant package containers; quick-donning, full-face oxygen masks; enhanced customer and employee hazardous material training for aircraft shipments; deployment of Emergency Vision Assurance Systems; and continued research of fire-suppression systems for cargo containers. Together, these solutions are providing a multilayered approach to significantly enhance flight fire safety.



A photograph of a UPS worker in a brown uniform and safety glasses, leaning over a table in a warehouse or sorting facility. He is looking at a document or a package. In the background, there are shelves with boxes and other workers. A large teal circle with the number '3.7' is overlaid on the left side of the image.

## 3.7 Ethical Conduct

For more than a century, UPS people have been motivated by the commonly held principles and values established by our founders, and these remain critical to our success today.

The core of these values is a simple statement: UPS is a company of honesty, quality, and integrity. This legacy is fundamental to our ability to create shareowner value, support the communities in which we operate, and protect our reputation. Operating with integrity is something we strive to do every day to earn customer trust, and it is one of our most important values. We seek to demonstrate this in a number of ways, including the development of strong measures to prevent corruption and anti-competitive behavior, as well as ensuring compliance with applicable laws and regulations around the world.

### Management Approach to Ethical Conduct

G4-DMA G4-56 G4-S04

Our management approach to ethical conduct is to adhere to our corporate governance structures, policies, and processes in the most transparent manner possible. The most senior UPS executives and governing bodies set a tone of compliance and ethical conduct from the top.

They also remain apprised of various aspects of the Business Conduct and Compliance Program. UPS executives and governing bodies receive reviews of relevant compliance programs on risk, management of third-party representatives, audits, self-audits, and other compliance areas.

The UPS Code of Business Conduct sets out the behavior we expect from our employees, the processes available to them for raising concerns about ethical conduct, and the channels we use to respond. Because we operate globally, the Code is available in 20 languages so that our employees, agents, and third-party representatives in other countries can fully understand our guiding principles. A broad base of employees also participates in training related to our Business Conduct and Compliance Program.

We provide refresher courses and job-specific courses on compliance and ethics to employees, using a risk-based approach to identifying the most appropriate audiences. Anti-corruption training is required for all management, including management committee members. Of 46,920 eligible employees, 94.7 percent completed anti-corruption training as of the end of 2015.

### Anti-Corruption & Anti-Competitive Behavior

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

In conducting business in more than 220 countries and territories worldwide, we work through numerous third parties. In order to mitigate the risk of corruption from third parties, we employ a due diligence process to vet third parties and monitor their compliance with UPS ethical standards. More detail on our Management of Third-Party Representatives can be found on page 56.

### Compliance

At UPS, we recognize ethical business practices can be a competitive advantage, enabling us to:

- Take strong, proven compliance practices and core values with us when we enter new markets
- Identify suppliers that align with our approach to compliance
- Successfully identify, acquire, and integrate businesses that fit into our culture of integrity

### **Global Compliance Process**

UPS invests significant resources in its Compliance & Ethics programs, inclusive of Anti-corruption, Antitrust, Trade Restrictions, and other risk areas. We conduct due diligence before entering into new business relationships, and we regularly review the work of our third-party representatives as a further check against compliance risks.

We have implemented a multilayered process to ensure measurable compliance effectiveness in our U.S. Domestic Package, International Package, and Supply Chain & Freight business entities. Our global compliance team facilitates the process for employees in our operating units.

The process starts with identifying and taking ownership of risks and then documenting processes and procedures to address those risks. Our compliance team then creates training programs and works with business unit managers to implement processes, procedures, and training programs. The global compliance team continually monitors data streams and other information sources that these compliance processes and procedures generate. The focus of this monitoring is to audit and improve our compliance systems and behaviors globally.

### **Risk Analysis & Training** G4-S03

UPS managers and select nonmanagers receive training on compliance matters. We regularly review the UPS Code of Business Conduct with these employees, and we periodically conduct comprehensive training on ethics and compliance. In addition to this training, we analyze our business units for compliance risks. One of our primary tools is our Business Compliance and Ethics Questionnaire, which we use to survey our management team each year to identify events, situations, or relationships that could pose ethical or legal risks. Approximately 45,000 full-time employees (100 percent of identified audience) completed the Business Compliance and Ethics Questionnaire in 2015.

Along with the training activities described above, we conduct systematic risk assessments, relying on multiple internal and external factors to determine which UPS sites should be audited in any given year. We then audit methodically for evidence of fraud, corruption, and other process deficiencies. As part of our audit process, we also pay particular attention to significant changes in a UPS business entity or its regulatory environment that could increase the risk of unethical practices or inadequate controls. In 2015, our corruption-specific risk assessment covered 212 countries and territories. We conducted 57 audits that included corruption testing, and 23 corruption-specific audits. These audits included businesses with which we have both direct and third-party relationships.

The information we generate through these activities goes to our senior management, up to and including the Management Committee, for prompt review and response. Organizational responsibility for our business conduct and compliance policies rests with our Nominating and Corporate Governance Committee of the Board of Directors and administratively with our Chief Financial Officer. Additionally, the UPS Audit Committee of the Board of Directors is responsible for overseeing the company's compliance obligations related to auditing (both financial and operational), accounting, and financial reporting. The Chief Internal Audit and Compliance & Ethics Executive reports to this Audit Committee.

The Board of Directors has created a specific Risk Committee to provide oversight for management's identification and evaluation of enterprise risks, including the company's risk management framework and the policies, procedures, and practices employed to manage risks.

### **Raising Concerns** G4-57 G4-58 G4-LA16

At UPS, we are encouraged to raise concerns about compliance, ethics, or business conduct with our direct supervisor. Our policy is that employees will not face retaliation if we report in good faith about a violation or suspected violation of UPS's legal, ethical, or policy obligations. We can also contact any other manager or the Human Resources representative for our respective department.

Employees may also submit a report to the UPS Help Line online or by phone. Both of these channels are monitored by an independent service provider and are available 24 hours a day, 7 days a week, and reports may be anonymous. Translators are available to assist when needed.

In 2015, UPS received more than 7,000 reports of employee concerns through the UPS Help Line and other reporting avenues. We investigated all of these cases and took corrective or disciplinary action where appropriate.





# 4

# Economic Enhancement

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MATERIAL ISSUE	ASPECT BOUNDARY WITHIN UPS	ASPECT BOUNDARY OUTSIDE UPS	CORRESPONDING GRI G4 ASPECT	GRI G4 SPECIFIC STANDARD DISCLOSURES
<b>Economic</b>	U.S. & International Package Operations, Global Supply Chain & Freight	Communities in which we operate	<ul style="list-style-type: none"> <li>• Economic Performance</li> <li>• Market Presence</li> <li>• Indirect Economic Impacts</li> <li>• Procurement Practices</li> </ul>	G4-DMA, G4-EC1, G4-EC2, G4-EC3, G4-EC4, G4-EC5, G4-EC6, G4-EC7, G4-EC8, G4-EC9
<b>Management of Third-Party Representatives</b>	U.S. & International Package Operations, Global Supply Chain & Freight	Agents and outside service providers engaged by UPS	<ul style="list-style-type: none"> <li>• Supplier Environmental Assessment</li> <li>• Supplier Assessment for Labor Practices</li> <li>• Freedom of Association and Collective Bargaining</li> <li>• Supplier Human Rights Assessment</li> <li>• Anti-Corruption</li> </ul>	G4-DMA, G4-EN32, G4-EN33, G4-LA14, G4-LA15, G4-HR4, G4-HR10, G4-HR11, G4-S04
<b>Customer Privacy</b>	U.S. & International Package Operations, Global Supply Chain & Freight	Select external stakeholders	<ul style="list-style-type: none"> <li>• Customer Privacy</li> </ul>	G4-DMA, G4-PR8
<b>Digital &amp; Physical Asset Security</b>	U.S. & International Package Operations, Global Supply Chain & Freight	Not Material	<ul style="list-style-type: none"> <li>• Customer Privacy</li> </ul>	G4-DMA, G4-PR8
<b>Humanitarian Relief &amp; Resilience</b>	U.S. & International Package Operations, Global Supply Chain & Freight	Communities in which we operate	<ul style="list-style-type: none"> <li>• Indirect Economic Impacts</li> </ul>	G4-DMA, G4-EC7, G4-EC8

COMMITTED  
TO MORE

## Yuki Muramatsu

Whether delivering packages or urgent humanitarian relief, UPSers draw upon their logistics expertise to get the job done. This is especially true for Yuki Muramatsu, who serves on the Logistic Emergency Teams (LET), which provide expertise and response services to disaster-relief efforts around the world. An industrial engineering manager in Japan, Yuki served as the UPS LET coordinator for three months following the 2011 earthquake in northeast Japan. She managed supplies and inventory, navigated customs clearance, and coordinated distribution of donated goods to relief partners. The experience left Yuki with some lasting impressions: "It's hard to imagine this disaster could change your life in an instant. I was amazed to witness the dedication and perseverance of the communities. I will never forget how people came together in support from around the world."



# 4.1 Economic Performance

## Management Approach to Economic Performance

G4-DMA G4-2 G4-13 G4-17

We underscore the importance of economic performance by using it as one of two foundational reference points by which we define all other material issues. Economic performance is defined as our most material aspect because, like most companies, our economic success enables the execution of our sustainability strategies.

Our primary role in society is to enable commerce by connecting individuals and organizations in more than 220 countries and territories. Customers utilize our broad logistics capabilities, global presence, industry-leading technologies, and solutions expertise to build competitive advantages in their respective markets. We enhanced our capabilities in 2015 with the acquisition of Coyote Logistics, a leading North American asset-light truckload broker. The US\$1.8 billion acquisition is expected to:

- Generate synergies in purchased transportation and backhaul utilization;
- Alleviate peak season capacity constraints;
- Provide opportunities to cross-sell supply chain solutions to customers; and
- Leverage Coyote's proprietary technology systems and best practices for UPS.



We have a long history of producing strong financial results, maintaining a solid balance sheet and high credit rating, distributing dividends, cultivating brand and customer loyalty, and positioning our business to capitalize on growth trends. Today, these trends include increased segment expertise in the integrated carrier space, logistics outsourcing, expansion of global trade, emerging market growth, and e-commerce growth in the retail sector.

Our business contributes to sustainability by making logistics as resource-efficient as possible — and far more efficient than customers could accomplish on their own. To do so, we:

- Meet customer needs by utilizing a broad range of transportation modes — airplanes, trains, ships, trucks, cars, carts, bicycles, and more — to reduce our impact on the environment;
- Achieve optimal efficiency by equipping, loading, and routing every vehicle and airplane we own to maximize shipments on board and minimize the miles traveled;
- Operate a single, integrated transportation network rather than multiple, redundant networks for similar types of services;
- Help test the potential of innovative reduced-emission technologies through our rolling laboratory that encompasses a large and diverse fleet of alternative fuel and advanced technology vehicles;
- Minimize energy, water, and material use in our facilities through design, maintenance, and multiclient use;
- Reduce unnecessary visits to customer locations and the associated environmental impact through services such as UPS My Choice® and the UPS Access Point™ network; and
- Help customers make their supply chains more efficient and manage their carbon footprint more successfully by offering logistics consulting services.

We report on the structure of our organization, changes in structure, and financial performance primarily through our Annual Report and investor relations website: ([www.investors.ups.com](http://www.investors.ups.com)). In this Report, we focus on economic performance as it relates to sustainability. The organizational entities covered by this Report are those presented in our Annual Report.



G4-9 G4-EC1

## UPS Financial Highlights

(in US\$)	2015	2014
Revenue	\$ 58.4 billion	\$ 58.2 billion
Operating Costs	\$ 50.7 billion	\$ 53.3 billion
Employee Compensation & Benefits	\$ 31.0 billion	\$ 32.0 billion
Taxes Paid	\$ 4.2 billion	\$ 3.0 billion
Long-Term Debt Repaid	\$ 2.7 billion	\$ 1.7 billion
Dividends Paid to Shareholders	\$ 2.5 billion	\$ 2.4 billion
Payments to Small & Diverse Suppliers	\$943.0 million	\$772.0 million
Total Charitable Contributions	\$ 110.0 million	\$ 104.2 million
Retained Earnings	\$ 6.0 billion	\$ 5.7 billion

## Understanding Climate Effects on Our Business

G4-2 G4-EC2

Climate change presents both opportunity and risks to the economic performance of our business. From an opportunity perspective, we reduce the emissions intensity of global supply chains by delivering goods more efficiently through our optimized network than customers would be able to do on their own. This capability will grow and become even more important as emerging markets develop, global population increases, and the flow of goods and services expands. In addition, we believe our ability to operate even more effectively will increase because of our proven capabilities for measuring, managing, and mitigating greenhouse gas (GHG) emissions, the emergence of new technology innovations, and ongoing collaboration with stakeholders.

Our main economic risk currently related to climate change is a regulatory risk: the possibility that countries or regions of the world will increase regulation of GHG emissions to include significant new taxes, fees, or other costs for transportation and logistics companies. It is impossible to quantify this risk today because different countries, regions, and states are following different paths with regard to climate change and associated regulation. Our main strategies for managing this risk include continually improving the fuel efficiency and emissions efficiency of our business, and educating policymakers and the public about our contributions to making commerce more carbon-efficient for millions of companies.

In December 2015, Paris hosted the largest contingent of world leaders ever to convene in one place to discuss and collectively take action on climate change. At the United Nations Climate Change Conference of the Parties (COP21), 195 nations signed an historic agreement to combat climate change and support

actions and investment toward a low-carbon, resilient, and sustainable future. Leading up to COP21, UPS was one of the initial 13 U.S. companies to sign the American Business Act on Climate Pledge that was launched by the Obama Administration in July 2015. We signed the pledge to voice our support for a strong outcome in Paris, demonstrate an ongoing commitment to climate action, and set an example for our peers. We are committed to doing our part to contribute solutions to the global challenge of climate change.

## Direct Economic Benefits

G4-EC1

We are one of the world's largest private employers, with a commitment to creating good jobs with competitive pay and benefits. As of year-end 2015, we employed more than 444,000 people (excluding temporary seasonal employees), of which 82,000 were located outside the U.S. In 2015, we paid US\$31.0 billion in compensation and benefits for full-time and part-time employees.

In addition, we pay taxes to local and national governments around the world that help fund schools, community infrastructure, and public services. In 2015, UPS paid US\$4.2 billion in taxes worldwide. During 2014, as part of the health and welfare plan changes we implemented for certain U.S. employees covered by collective bargaining agreements, we accounted for a settlement of post-retirement benefit obligations. We received approximately US\$854 million of cash tax benefits in 2014 as a result of these changes.

## UPS Tax Policy

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

## Indirect Economic Benefits

G4-EC7 G4-EC8

Our business generates a wide range of indirect economic benefits, including charitable contributions, access to markets through our local points of presence in the form of retail outlets, procurement activity throughout our supply chain, and venture capital funding. Our support of and advocacy for free trade around the world benefits businesses, communities, and

## Economic Enhancement

### 4.1 Economic Performance

countries of all sizes. Similarly, continual investments in our global logistics network — rather than infrastructure and specific services — benefit all of our communities by facilitating commerce and providing jobs. We also use our scale to stimulate the markets for alternative fuels and advanced fleet technologies. Our continued investments help drive supply and demand for these promising solutions. UPS is also investing in technology and network enhancements to help make healthcare more accessible and effective. We field one of the largest dedicated networks of facilities and related services for suppliers of healthcare products, and we continue to invest in this network around the world. In addition, the UPS Strategic Enterprise Fund invests in companies that have a strong strategic fit with UPS. The Fund usually invests in early-stage, privately held companies during their venture capital phase. Our preferred investment range is US\$250,000 to US\$2 million.

#### **Charitable Contributions**

The Key Performance Indicator (KPI) for indirect economic benefit is the sum of our charitable contributions by UPS; The UPS Foundation (our corporate citizenship arm); and UPS employees, retirees, and their families. In 2015, total charitable contributions were US\$110 million, an increase of US\$5.8 million over 2014. In addition, UPSers contributed 2.35 million volunteer hours in 2015, which had an economic value of US\$53 million, based on the U.S. Bureau of Labor Statistics' valuation of volunteer time, which is tracked by our Neighbor to Neighbor system.



Solely funded by UPS, The UPS Foundation provides cash contributions to organizations that promote its four focus areas: Diversity and Inclusion, Global Volunteerism, Community Safety, and Environmental Sustainability. Our in-kind donations are composed primarily of transportation services, including ground, ocean, and air shipments to and from 50 countries for humanitarian relief and resilience efforts in 2015 (see page 61). Charitable contributions also include a 15 percent match of employee pledges to United Way, a major nonprofit provider of community-based social services.

#### **Total Charitable Contributions Allocation**

Year ended December 31, 2015

Program Area	Allocation (US\$ in millions)
Local Grants	\$ 9.6
Corporate Grants	\$ 23.0
In-Kind Services	\$ 3.2
Internal Scholarship Programs	\$ 2.1
United Way Corporate Contribution	\$ 8.5
Charitable Contributions and Sponsorships	\$ 8.3
<b>The UPS Foundation Contribution Total</b>	<b>\$ 54.7</b>
United Way Employee Contribution (active and retired)	\$ 55.3
<b>Total Charitable Contributions</b>	<b>\$110.0</b>

#### **Local Points of Presence**

We provide more than 150,000 local entry points around the world where customers can tender a package to us at a location or time convenient to them. These entry points include our drivers, drop boxes, UPS Access Point™ locations, The UPS Store® locations, as well as authorized shipping outlets and commercial counters, and customer centers attached to UPS facilities. Local entry points provide customers with one-stop access to our global network, which helps small and diverse businesses participate more fully in the global economy.

We also provide substantial indirect support for more than 4,900 franchise locations of The UPS Store in the United States and Canada, to help them serve the businesses around them. The UPS Store, for example, was the first nationwide retailer to offer 3D printing services in-store; today 62 locations provide the service. In 2015, The UPS Store hosted 3D Print Industry Week for small business owners, entrepreneurs, and consumers to connect with 3D print experts.

## 4.2

# Global Trade & Emerging Markets

Global trade can enhance economies by stimulating growth and creating new opportunities for employment and entrepreneurship. Trade can have a ripple effect throughout an economy, as businesses find new markets and hire more workers, which in turn helps those workers support and grow their families.

Trade plays an important role in reducing poverty in many parts of the world. Small businesses, which represent the vast majority of businesses in most economies, gain access to new customers and markets, and generate higher standards of living for their owners and workers. As a global logistics company, connecting customers to new economic opportunities is an intrinsic outcome of our business. Given that our business moves nearly 2 percent of global GDP each day, we have a unique and broad perspective of international trading patterns and of development opportunities in emerging markets.

### Trade Advocacy

Among the trends we observe shaping global trade are the growth of e-commerce, the increasing need for companies to compete internationally, and the internationalization of supply chains. According to the Brookings Institution, nearly 60 percent of trade is in intermediate goods, including the inputs and components that cross borders dozens of times in the production of a good.

These trends have increased the pressure on international trade infrastructure, both in terms of the volume of goods being traded and the time pressures many customers face. Burdensome

customs procedures, which often involve onerous paperwork and sometimes lengthy delays at borders, have a huge impact on businesses of all sizes. They can lead to missed shipment deadlines and damaging financial losses and, over time, can make or break a business' relationship with a client. For time- and temperature-sensitive shipments such as pharmaceuticals and healthcare products, the time window may be even more critical.

We approach trade as an opportunity for our customers. When trade is easy, more trade happens — and that means more business for entrepreneurs and small- and medium-size enterprises (SMEs), as well as multinational corporations. UPS fields a team of trade policy experts around the world who work alongside customers, business partners, and industry associations, as well as region-specific trade associations, to address trade barriers.

We often serve as the voice of our customers when there are opportunities to advocate for agreements that facilitate more open global trade. During 2015, for example, following years of UPS advocacy, negotiators successfully concluded the Trans-Pacific Partnership (TPP), an accord expected to establish the rules of 21st century trade. We expect the agreement to simplify customs procedures and allow faster clearance of shipments. TPP should





## Economic Enhancement

### 4.2 Global Trade & Emerging Markets

also create a more level playing field for private companies when competing with government-supported entities. And TPP includes tariff cuts and transparency measures that will benefit companies on both sides of the Pacific. We continue to highlight the opportunities of TPP with the U.S. Congress and legislatures in other TPP countries to help ensure the many benefits of the agreement are fully understood and the agreement is ratified.

We also believe it is important to keep momentum behind the World Trade Organization (WTO) Trade Facilitation Agreement (TFA), which was completed in 2013 and now must be ratified by two-thirds of the 162 WTO members. The agreement will take time, cost, and complexity out of trade, helping countries better compete in the global market. In particular, the agreement includes provisions to ensure developing countries receive support to modernize their customs infrastructure and unlock the potential of trade growth. In 2015, UPS joined the Global Alliance for Trade Facilitation, a public-private partnership, and assumed a leadership role with the group's In-Country Implementation Committee. UPS will work to harness its own customs, risk, and IT expertise, as well as that of the broader industry, in the interest of getting WTO members up to TFA standards.

#### Emerging Markets

Emerging market opportunities continue to expand our business. These markets are a destination for investment and engine for growth for current customers, and will also be a focus for our next generation of customers. That's why we're making long-term investments where our customers choose to grow. During the past decade, we've established a strong presence in leading emerging markets such as China, Southeast Asia, Poland, and Turkey and expect that other markets in the Middle East, Latin America, Africa, and Eastern Europe will become increasingly important for our business. Africa, in particular, represents significant opportunity, given its large and young population and increasingly stable economic and political structures. We are actively looking for investment opportunities in countries across the four corners of Africa, including in Morocco, Nigeria, South Africa, and Kenya.

We approach emerging markets with long-term, tailored solutions to meet the unique needs of each country in an efficient, sustainable way. We typically partner with third parties that have established capabilities and expertise at the local level. These include authorized service contractors or third-party service agents, who are trained and managed to properly represent UPS.

#### Global Supply Chain Readiness

An important part of our emerging market strategy is to help build global supply chain readiness and capacity among local



businesses around the world. In Asia, we continue to work with the US-Association of Southeast Asian Nations (US-ASEAN) Business Alliance for Competitive Small and Medium Enterprises (SMEs) on its multiyear capacity-building program. During the year, UPS and its partners in the Alliance held workshops in 12 countries for 1,225 participants. Broad-based workshops for all types and sizes of SMEs provide training on the basics of exporting, how to build a marketing strategy, and other general business topics. Sector-specific workshops, launched in late 2015 and continuing into 2016, are offering more focused training in the automotive, healthcare, technology, and e-commerce sectors.

Building on this success, we provided funding in 2015 to launch the Gender Responsive Economic Actions for the Transformation of Women, or GREAT Women in ASEAN initiative to help women entrepreneurs build an integrated supply chain to reach the global market and grow their businesses. The GREAT Women in ASEAN initiative is a collaborative effort between the ASEAN SME Agencies Working Group and the US-ASEAN Business Alliance for Competitive SMEs. Initial product categories in the initiative include food items and spices, textiles and silk-based goods, and high-fashion jewelry and accessories manufactured under fair labor and trade standards. In addition to helping women-led SMEs sell products beyond their own countries' borders, the initiative also helps protect their intellectual property rights. Research shows that women reinvest a large portion of their income back into their families and communities — so the more women become educated and join the workforce, the more societies will improve and economies will grow.

## 4.3 Supply Chain Management

UPS has a highly distributed and diverse supply chain with providers ranging from global multinationals to local small businesses.

### Management Approach to Supply Chain Management

G4-DMA G4-EN32 G4-EN33 G4-LA14 G4-LA15 G4-HR4

G4-HR10 G4-HR11

The UPS Code of Business Conduct, which applies to UPS entities globally, governs our relationships with suppliers, including UPS's third-party representatives such as vendors, consultants, and service contractors. We direct suppliers to the Code as part of the Supplier's Principles Agreement we provide during the proposal process, and they must certify they have read the Code and are aware that compliance with the Code is both expected and subject to audit. We reference the UPS Statement of Environmental Sustainability in requests for proposals, to provide general awareness and set expectations for suppliers. We also require vendors with access to UPS data to execute a security agreement stating they are compliant with UPS privacy and security standards. We have procurement professionals in

our corporate, regional, and local offices to help suppliers understand and meet our requirements.

During our assessment of potential suppliers, we survey the market and analyze supplier risks, including those related to economic, environmental, and social issues, if deemed necessary. For example, social risks may arise in countries where employment laws and customs vary significantly from what is considered the norm in the United States and other developed countries. In such cases, in contracts and supplier audits, we use language that addresses social responsibility. We consider the UPS supply chain resilient and at low risk against problems related to the environment, labor practices, and human rights. We do not currently report specific numbers or percentages related to screening or impact assessments, because we consider the information confidential. However, in 2015, we were not aware of any significant environmental, social, or labor concerns related to our suppliers.







Collaboration is a vital component of our approach to supplier management. We work with many governmental and non-governmental organizations, as well as with suppliers, to understand and improve sustainability in our supply chain. One important example of this collaboration is the EPA SmartWay program. UPS participates in this program, which helps businesses create more sustainable supply chains, and we strongly encourage our purchased transportation suppliers to participate as well. As we continue to formally integrate sustainability into procurement processes, we anticipate that we will make corresponding evaluations of and adjustments to our supplier selection process.

#### **Supplier Diversity** G4-EC9

In a majority of cases, our supply chain partners are locally based suppliers due to the highly distributed nature of UPS's business. Spending with locally based vendors can create positive ripple effects throughout a community, beyond the immediate contract or relationship. In 2015, UPS spent approximately US\$943 million in procurement with small and diverse businesses in the United States.

A third-party study on the economic impact of our spending with small businesses, as well as minority-, women-, veteran-owned, and other diverse suppliers in 2015, found that UPS contributed more than US\$2.3 billion to the U.S. economy (U.S. GDP) and sustained more than 14,200 jobs in the supply chain and local communities. A breakdown of that US\$2.3 billion includes US\$941 million in direct economic benefit from

suppliers' operations and activities; US\$639 million in indirect impact from the economic benefit and employment supported in the suppliers' respective supply chains from procuring goods and services; and US\$743 million in community impact from the wider economic benefits that arise when the suppliers' employees and those in their supply chains spend their earnings. Overall, for every million dollars that UPS spends with small and diverse suppliers, 15 jobs are created with those companies in their local communities.

#### **Management of Third-Party Representatives** G4-S04

We take special care when selecting third-party representatives who may interact with government officials or other outside parties on behalf of UPS. We subject agents, vendors, and suppliers working in industry sectors or countries associated with higher risk to our third-party due diligence process. This process requires us to assess candidates' ownership, financial transparency, local licensure status, compliance record, labor practices, environmental practices, and more. This information is then recorded in our own proprietary global database to enable more effective ongoing monitoring and auditing of these third-party relationships.

To make the requirements of the UPS Code of Business Conduct clear for third-party representatives, we issue an Anti-Corruption Compliance Manual for Third-Party Representatives. This manual, available in 19 languages, further explains our expectations and requirements, including the need to report actual or suspected compliance violations.



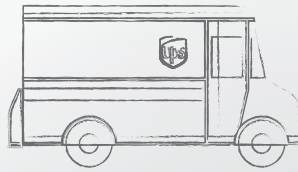


# The Lifecycle of a UPS Package Car

We collaborate with our suppliers to make our iconic brown delivery vehicles as efficient as possible throughout their long operational life.

## Design

Package cars are built to last with an average lifespan of approximately 20 years.



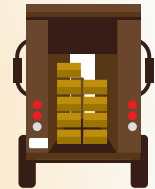
## Materials

Up to 98 percent of inputs are from recyclable materials.



## Fuel Efficiency

There are 17 configurations of package cars to right-size for optimal efficiency.



## End of Life & Recycling

We work with approved vendors to ensure responsible end-of-life recycling and disposal.



## Maintenance

We emphasize preventive maintenance — using insights from telematics — to ensure optimal driving efficiency.



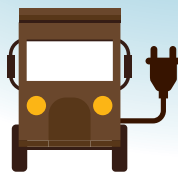
## Alternative Fuels and Technologies

We work to integrate alternative and clean fuel technologies into package car design.



## Mid-Life

In certain regions, diesel engine vehicles can be converted to electric propulsion, eliminating tailpipe emissions and extending operating life.



## Operation

Telematics, GPS, and our proprietary ORION system ensure optimal efficiency.



**Our Supply Chain** G4-12

As UPS is a service provider, our supply chain partners tend to be other service providers, rather than raw material or finished goods suppliers, and can be broadly grouped into three categories:

**Production Suppliers**

Production suppliers, which represent the majority of our total procurement spending, provide purchased transportation services and energy to operate our global logistics network. At the region and country levels, we regularly contract with a large pool of suppliers of transportation services, such as airlines, trucking companies, railroads, and ocean carriers, and suppliers of fuel for our vehicles and air fleets. A complete discussion of our approach to purchasing fuel can be found on page 88.

We also contract with third-party representatives that provide domestic delivery services in certain countries on behalf of UPS. These third-party representatives may be referred to in other UPS documents or policies as agents, providers, outside service providers (OSPs), or authorized service contractors (ASCs). It is vital that all third-party representatives convey

UPS's trustworthiness and commitment to compliance when they represent our brand, products, and services in the marketplace. We consider effective management of such representatives as material to our sustainability.

**Capacity Suppliers**

This category includes the equipment and facilities we purchase, build, and maintain. Our supply chain includes a number of suppliers of strategic, high-value assets that we purchase in limited numbers in select years, such as jet aircraft and alternative fuel or advanced technology vehicles. We work on a continual basis with original equipment manufacturers to design and develop our ground and air fleets in a way that minimizes their environmental impacts.

**Support Suppliers**

We purchase standardized products and services that support our business. These suppliers provide products and services in the areas of marketing, advertising, human resources, shipping materials, and other professional services.

**Our Supply Chain**

As a provider of logistics and transportation services, we are an important component of our customers' supply chains. But we also have our own supply chain and work with vendors that help us provide our services. This graphic shows our major supply chain categories. Our most material categories include purchased transportation from third parties, such as airlines, railroads, ocean carriers, and other trucking carriers; energy to fuel our ground and air fleet; and air and ground fleet purchases and maintenance.

**Production Suppliers**

*Transport Process*

**Capacity Suppliers**

*Capacity Process*

**Support Suppliers**

*Back Office Process*

**Purchased Transportation & Energy**



**Vehicles, Aircraft, Facilities & Equipment**



**Financial, Administrative & Support Services**





## 4.4 Customer Privacy

UPS maintains and continually expands one of the largest private databases of customer information in the world, which includes accurate and up-to-date shipping addresses in North America and around the world.

### Management Approach to Customer Privacy

#### G4-DMA

Since our founding more than 100 years ago, we have always viewed our reputation for protecting customer data as an important competitive advantage. Data privacy is a key consideration whenever we develop a new service, program, or strategy that involves the use of personal information, and we incorporate privacy protections into the early stages of design. As we evaluate global opportunities, compliance with data privacy laws is critically important. International data privacy laws often differ from those in the United States, but we consider these differences in building and managing our global compliance program for the regions in which we operate around the world.

We utilize a cross-functional Information Security Council (ISC) to govern our privacy practices. Formed more than 10 years ago, the ISC is composed of more than 20 senior managers and reports to our Management Committee. An ISC steering committee of senior managers meets quarterly and focuses on policy, standards, and compliance. An ISC working committee led by our Global Privacy Officer and the head of our Information Security Group convenes representatives from our information technology, privacy, legal, and security teams, as well as business representatives, on a weekly basis. We also use a global network of privacy coordinators to help raise awareness, act as points of contact, identify privacy issues, and help manage compliance. These employees, who are trained on our privacy policies and practices, are located in each of our international regions. In Europe, a heavily regulated region where privacy is a top concern, we also maintain a network of country-level coordinators.

### Customer Engagement

We understand that customers entrust UPS with sensitive information, and we uphold this trust through our privacy and information security programs. We are constantly evaluating ways to deliver better service to customers while respecting their rights to privacy and securing information in accordance with UPS policies.

We inform stakeholders about our privacy practices in the UPS Privacy Notice, available on the home page of [www.ups.com](http://www.ups.com). The Privacy Notice describes the personal data that we collect, how we use it, and with whom we share it. We also provide consumers with a contact for questions about our privacy practices. We offer an easy-to-use Privacy Preferences Center that enables consumers to make meaningful choices about how we use their personal information. Behind the scenes, we are continually improving our IT systems, business operations, training, and monitoring to strengthen our privacy practices.

### Employee Training and Engagement

As our privacy practices and policies continue to evolve, employee awareness is essential. We believe employees who are actively aware of privacy issues in their personal lives are more likely to be aware of privacy issues in the workplace. In 2015, we continued to engage with employees on privacy issues and further strengthened our training programs and initiated quarterly training for our global network of privacy coordinators.

Other employee training and engagement activities included:

- Expanding specialized training for key functions on specific issues in addition to offering broad privacy-awareness training;
- Holding an International Privacy Week in June with guest speakers in multiple locations and global video broadcasts; and
- Working with the Human Resources team to ensure all HR systems are governed with privacy in mind, further strengthening awareness and helping to ensure we operate our business in ways that reduce risk.



## 4.5 Digital & Physical Asset Security

We operate more than 110,000 vehicles and one of the world's largest air cargo fleets from more than 2,580 facilities, data centers, and office sites around the world. The security of our customers' shipments and the safety of our employees are top priorities for UPS.

### Management Approach to Digital & Physical Asset Security G4-DMA

As potential threats to digital and physical assets evolve — from cyber crime and terrorism to increased traffic congestion and aging transportation infrastructure — we constantly work to adapt and improve our ability to operate our business effectively and sustainably.

We continually assess the security of our facilities, data centers, vehicles, systems, and methods. Comprehensive risk mitigation techniques are applied globally to help keep our people and

customer shipments secure. These risk mitigation techniques are applied across all business segments. We are not free to disclose specific details about the techniques employed; however, confidentiality and customer relationships are critical components of our asset security program. Access to relevant, actionable, and real-time threat information is a critical component of protecting our digital and physical assets. To that end, we use threat information from authorities in both the public and private sectors to allow us to take necessary actions to protect our digital and physical assets.



# 4.6 Humanitarian Relief & Resilience

In the wake of natural and man-made crises, swift action is needed to provide relief for human suffering and minimize adverse environmental impacts.

G4-DMA G4-EC7 G4-EC8

The economic impact of disasters can disrupt businesses, destroy infrastructure, displace residents and merchants, and bring most forms of productive commerce to a halt. It's important to us that our employees and customers live in strong and safe communities that are well-equipped to deal with and recover from disasters in a timely manner to minimize long-term economic impact.

## Management Approach to Humanitarian Relief & Resilience

We help communities become more resilient primarily through the work and support of The UPS Foundation, which receives all of its financial resources from UPS (see page 52). The UPS Foundation has four focus areas: Diversity and Inclusion, Global Volunteerism, Community Safety, and Environmental Sustainability — all of which contribute to the overall resilience and long-term well-being of a community. In fact, these focus areas are in alignment with many of the Sustainable Development Goals launched by the United Nations member states in 2015.

In 2015, we provided US\$10 million in support of community safety initiatives to improve disaster response, recovery, and emergency preparedness through enhanced technology infrastructure and road safety. Efforts were focused on:

- Strengthening partnerships with leading humanitarian relief organizations;
- Leveraging the skills and technical expertise of UPS employees to build communities' capacity for disaster preparedness and recovery; and
- Increasing collaboration among government agencies, NGOs, and the private sector to create more resilient communities.

We partner with leading humanitarian relief organizations to collectively address global challenges to community resilience. Getting the right products to the right people at the right time in the aftermath of disasters is one such challenge. Grants to organizations including Good360, the United Nations High Commissioner



for Refugees (UNHCR), UNICEF, National Voluntary Organizations Active in Disaster (NVOAD), and the World Food Programme (WFP) support improvements in back-end processes and tracking during humanitarian relief efforts. Ongoing support for disaster relief efforts also includes grants to the American Red Cross, Cooperative for Assistance and Relief Everywhere (CARE), MedShare, the Salvation Army, and other organizations that provide food, shelter, and other essential needs.

Improving emergency preparedness is another global challenge. The UPS Foundation provides funding for initiatives such as the American Red Cross Home Fire Prevention Campaign, which has resulted in the installation of more than 215,000 free smoke alarms in nearly 2,600 communities. The UPS Foundation is also playing a key role in strengthening the vaccine supply chain capacity of African ministries of health through a continuing partnership with the Global Alliance for Vaccines and Immunization (Gavi). Our partnership is helping Gavi work toward immunizing 300 million children in the world's poorest countries between 2016 and 2020. Gavi estimates that this program will save 5-6 million lives.





We also work to expand the capacity of the disaster relief sector. The UPS Foundation sponsored five scholarships for international NGO practitioners to complete the Georgia Tech Health and Humanitarian Supply Chain Management certificate program, and provided grants to organizations such as the Center for Disaster Philanthropy and InterAction to strengthen leadership and philanthropy development. In 2015, UPS also partnered with The Ohio State University, the American Red Cross, Save the Children, and the World Health Organization to expose college students to the challenges of real-world humanitarian efforts. During this one-day “solve-a-thon,” UPS experts facilitated sessions to guide teams of engineering students as they created innovative and practical solutions for humanitarian logistics challenges. Because volunteers play a vital role in humanitarian relief and resilience, The UPS Foundation provides grants to expand global volunteer capacity to organizations such as Points of Light, Boston College Center for Corporate Citizenship, ToolBank USA, and others.

Technical assistance and loaned managers are other important ways we help organizations strengthen their preparedness and build capacity. In one instance, a UPS Solutions Manager helped evaluate The Salvation Army’s refugee storage facility in Germany and provided input on facilitating a positive workflow at the warehouse. UPS also loaned a senior logistics manager to Gavi in Geneva, where he led the STEP (Strategic Training Executive

Program) Leadership Development training initiative to enhance the capability of local supply chain leaders in Africa. Gavi plans to conduct STEP training for the next five years to help dramatically improve vaccination rates across Africa. The training, which was designed in 2015, launched in February 2016 with a workshop for 15 representatives from Rwanda, Tanzania, Kenya, and Uganda, and will roll out to West African ministries of health later in 2016.

UPS continues to support the Logistics Emergency Team (LET), which provides expertise and response services to the Global Logistics Cluster of the United Nations. Trained LET members are committed to being ready for deployment within 48 hours’ notice. During 2015, The UPS Foundation and UPS Americas region hosted Local Operational Leader training during which 22 LET members from UPS, Maersk, DAMCO, and Agility Logistics completed the training, conducted by the WFP Global Logistics Cluster staff.

We also leverage our expertise through the Resilient America Roundtable, a three-year partnership between UPS, FEMA, and the National Academy of Sciences to initiate and nurture local efforts to measure and improve resilience through a collective, multistakeholder approach. The Roundtable facilitates a number of pilot projects that give select communities access to knowledge and experts in order to develop their own disaster resilience strategies.



### 2015 Disaster Response and Recovery

During the year, The UPS Foundation provided 350 ground, ocean, and air shipments to and from 50 countries for humanitarian relief and resilience efforts. Our major response efforts during the year were focused on the following areas:

#### Europe

The refugee crisis in Europe escalated in 2015, with staggering numbers of Syrians and other migrants fleeing their homes in search of safety from conflict. UPS has provided more than US\$3 million in ongoing support for the crisis since 2012, and that continued in 2015 through significant funding, in-kind, and volunteer support. In expanding our support, UPS worked with partners to provide necessary supplies and encourage volunteer efforts. UNICEF and The Salvation Army activated UPS-provided emergency funds to assist refugees with education, nutrition, sanitation, and protection. Additional funding helped with costs of providing legal assistance for refugee housing in Italy. UPS transported two humanitarian charters for the WFP and UNHCR to bring 86 tons of high-energy biscuits and thousands of blankets and sleeping mats for refugees arriving in Greece. We also provided funding to support integration of refugee youth in Germany through language training, apprenticeships, and education support.

UPS has partnered with Points of Light to increase volunteer support for refugees throughout Europe. UPS employees have been among the volunteers dedicated to the cause. In 2015, more than 500 volunteer hours were contributed by UPS employees in Germany and Belgium alone to help migrants. Austria, France, Greece, and Sweden were also sites of major UPS volunteer activity. UPS volunteers organized warehouses for relief items, constructed shelters for refugees, delivered

relief supplies, assembled and distributed meals, and participated in fundraising efforts in support of refugees.

#### Nepal

When two massive earthquakes struck Nepal in 2015 and claimed more than 8,500 lives, UPS responded quickly. The company provided US\$800,000 in financial and in-kind support to help humanitarian relief partners, including CARE, UNHCR, UNICEF, WFP, World Wildlife Fund, and The Salvation Army, bring critical aid to Nepal. In addition, UPS provided four charter flights and multiple air freight shipments and collaborated with UPS customers like Henry Schein to donate medical supplies to the response effort. UPS also worked with the United Nations Office for the Coordination of Humanitarian Affairs and the United Nations Global Logistics Cluster to identify critical logistics needs. Two UPS forklift operators were donated to Kathmandu airport for one month to help expedite cargo to disaster survivors as part of the Logistics Emergency Team response.

#### Vanuatu

Tropical Cyclone Pam hit Vanuatu, an island nation located approximately 1,000 miles east of Australia, in early March. The Category 5 storm caused widespread damage. An estimated 150,000 people were affected by the disaster, and 110,000 lost access to clean drinking water. The damage caused by the cyclone made it very challenging for aid agencies to deliver much-needed supplies to the remote islands. A UPS Senior Logistics Manager was deployed to Vanuatu from Europe to speed the delivery of relief items to survivors. In addition to volunteer support, The UPS Foundation provided funding to enable the coordination of two relief flights to remote areas.





# How The UPS Foundation Made a Difference in 2015



All currency is in U.S. dollars

## STAKEHOLDER PERSPECTIVE

# Anne-Marie Grey

EXECUTIVE DIRECTOR, UNITED STATES ASSOCIATION FOR UNHCR



**With close to 60 million displaced people around the world, the ability for uprooted people to seek asylum, find safe refuge, and exercise basic human rights continues to face a global headwind.**

The United Nations High Commissioner for Refugees (UNHCR) is the largest international organization charged with aiding and protecting people forced to flee their homes due to violence, conflict, and persecution. We also provide emergency aid, lifesaving assistance, and solutions to the issues that are facing refugees and displaced people across the globe.

Through years of experience, we know that people seeking protection — whether in the wake of a natural disaster, social unrest, or political turmoil — desperately want a sense of stability and predictability. In the realm of humanitarian relief, rarely can we predict what lies ahead, or when and where the next disaster will strike.

Fortunately, at least one aspect of our work is predictable. As our emergency standby partner, The UPS Foundation (UPS) helps us deliver critical supplies into the hands of refugees around the world within hours of an emergency being declared. In these moments of crisis, the ability to deliver relief quickly can mean the difference between life and death for many people. Knowing we can depend on UPS to act swiftly allows us to provide support and supplies where and when they are needed most.

In 2015, our partnership efforts were focused on responding to the crises in Greece and in Nepal. If there is a year during which we are fortunate enough to avoid emergency scenarios, funds from UPS are then designated to support protracted situations such as those in Syria or South Sudan.

During a time of simultaneous disasters, UPS uses a multi-dimensional approach to respond and provide support, from in-kind transportation to technological development and training for our staff and partners. This includes the funding of emergency training for UNHCR staff and the development of ReliefLink, a technology application that provides UNHCR with last mile tracking of supplies into refugee camps and settlements.

Our partnership with UPS has enhanced the lives of many refugees and displaced persons impacted by disasters. In a world that is so unpredictable, we are able to rest a little easier knowing we can depend on UPS when and where we need them.





# 4.7

## Sustainable Shipping & Supply Chain Offerings

As more of our shipping volume shifts to B2C and residential deliveries, we are evolving our operations and solutions to offer businesses and consumers more sustainable options.

Today, shoppers are able to buy almost anything they want anywhere they have a wireless signal. The fourth annual UPS Pulse of the Online Shopper Global Study conducted in 2015 by comScore, Inc. revealed that this access is a catalyst for omnichannel shopping; shoppers want alternate delivery locations, with more than 50 percent asking for more local after-hours options; and free shipping is driving even more sales. The implications of this evolving e-commerce environment are substantial for retailers and their global supply chain partners as they develop systems and solutions to meet consumer needs wherever they shop — in store, online, or on mobile devices.

We expect e-commerce to comprise more than 50 percent of our U.S. shipping volume by 2019. This growth is creating opportunities for our integrated logistics network as we connect more retailers with more residential addresses. That opportunity also comes with a challenge for the transportation and logistics industry to make e-commerce shipping more sustainable.

E-commerce shipments are typically lighter in weight relative to package size and include higher volumes of dispersed residential deliveries. In the fourth quarter of 2015, for instance, our delivery stops increased 5.1 percent, or more than two times our volume growth for the same period. This means we should have driven more miles and used more fuel to deliver fewer goods compared with business-to-business (B2B) deliveries. Yet, we were able to hold the number of miles driven in 2015 even with 2014, thanks to increased efficiencies and the rollout of ORION. We continue to seek innovative solutions throughout our operations and service offerings to customers so that we can continue to drive sustainability in this evolving environment.

### **Delivery Solutions for the Future**

To address the rising challenges of increased business-to-consumer shipping, we have pioneered new solutions that drive efficiencies within our operations while also giving customers the control they want. UPS My Choice® service enables customers to be notified and choose a convenient time and place of delivery from their mobile device or computer, and UPS Access Point™ network provides a consolidated delivery point — such as a gas station or convenience store — for multiple customers in the

same area. Both solutions create a win-win: more flexibility and options for consumers, and fewer miles — and associated emissions — for UPS.

In 2015, we reached more than 22 million UPS My Choice members around the world and expanded the UPS Access Point network to 100 cities across the U.S. and more than 24,000 locations worldwide. We also began testing Access Point lockers, which provide another location for UPS My Choice members to have their packages delivered. By scanning an ID or in-app barcode, or by entering a PIN at the touchscreen terminal, customers can open the locker and retrieve their packages. The lockers will be deployed in the U.S. throughout 2016 as a supplement to the UPS Access Point network.

In the U.S., we are also collaborating to reduce miles through services like UPS SurePost® shipping, which provides shippers with an alternative method for ground service delivery to residential addresses. UPS SurePost shipping combines the consistency and reliability of the UPS® Ground network with “final mile” delivery by the U.S. Postal Service, which delivers to rural addresses that may not be served efficiently by private carriers.

Through UPS Synchronized Delivery™ service, we partner with customers to reduce the number of trips, miles, and emissions caused by multiple delivery attempts. The solution is designed to consolidate deliveries going to the same address while still delivering the packages within our customers’ committed timeframes to their consumers. For example, imagine that two online orders are placed — one expected to arrive in three days and the other in two days. UPS can identify the matching packages and consolidate them into a single delivery, reducing the impact on the environment.

### **Smarter Packaging Solutions**

Growth in e-commerce is also resulting in a decrease in the density of packages, which compares a package’s weight to its physical dimensions. As package density decreases, so does the effective utilization of cargo space, which can translate into more vehicles, more trips, more fuel, and more GHG emissions than necessary. Oversized packages and the extra packaging

## The Logistics of the Circular Economy

A movement is underway that is shifting businesses toward a more circular economy, an alternative to the traditional and linear “take-make-waste” operating model. In a circular economy, products are kept in use as long as possible, then recovered at the end of life and used as materials in the next generation of products.

This concept is gaining traction, as indicated in *The Growth of the Circular Economy*, a research study we conducted in collaboration with GreenBiz Group. Nearly 90 percent of business decision-makers and sustainability executives surveyed believe that circular economy principles will be important to their business two years from now, nearly double the 47 percent from two years ago.

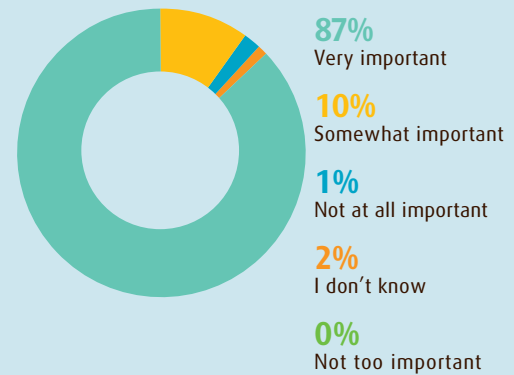
A range of trends — population growth, resource scarcity, climate change impacts and regulations around issues such as hazardous materials and zero-waste — are driving companies to transition toward a more circular economy.

While UPS doesn’t manufacture products, we do facilitate and enable the circular economy by offering global solutions that help reclaim and refurbish products at the end of their useful life. A nearly unanimous 97 percent of survey respondents said logistics is important to transitioning to a circular economy. For our part, we partner with customers to implement seamless take-back processes, including turnkey packaging, convenient drop-off and pickup services, and preprinted labels that help simplify returns for our customers and consumers.

We also work with customers to create tailored solutions that meet their unique needs. For instance, we collaborated with one of our customers to develop a recycling program that allows consumers to ship difficult-to-recycle materials. The program eliminates two common barriers to recycling: local access and the logistics of collection.

In addition to enabling customers’ participation in the circular economy, we also apply circular thinking within our own operations through the use of renewable natural gas (RNG). By using RNG, we are utilizing methane from landfills, which would otherwise be released into the atmosphere as a greenhouse gas, as a fuel source for some of our fleet. Read more about our RNG commitment on page 89.

### The importance of logistics in transitioning to a circular economy



materials they require create unnecessary waste and are among many consumers’ top shipping-related complaints.

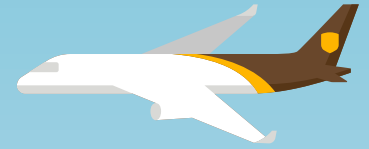
One way we’ve addressed this challenge is through a collaboration with Packsize to offer a solution that enables companies to produce a right-sized box for any item. By placing a corrugated converting machine and corrugated materials directly in a distribution facility, the smallest possible box can be fabricated for each item when it is ready to be shipped. Companies can save an average of 35 percent in total packing costs and reduce waste from excess materials.

In addition to this customer solution, we are also using market forces to encourage packaging efficiency. With dimensional weight pricing, the price to ship a package is based on the amount of space a package occupies in relation to its actual weight. This discourages packing small items in big boxes, which take up a lot of space. When the right-sized box is used for a package, we are able to move more shipments without adding incremental vehicles and planes to our fleet. Dimensional weight pricing is used in our air service, worldwide express, all UPS® Ground services, expedited and standard for ground packages to Mexico, and UPS® Standard to Canada.



# A More Sustainable Shipping Journey

We know many of our customers want to ship more, with less impact. We offer sustainable solutions to help minimize the environmental impacts associated with their supply chains.



## Analyzing

**Carbon Impact Analysis** helps customers understand the climate impact of UPS shipments. We use the findings to offer optimization techniques that improve efficiency and reduce impact.

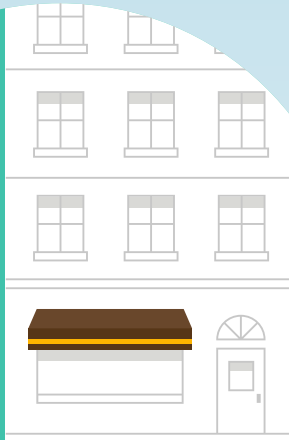
## Packing

Our **Eco Responsible Packaging Program** recognizes shippers who are committed to sustainable packaging. Shippers who meet criteria for damage prevention, appropriate sizing, and packaging material can participate. We also offer a packaging solution that enables customers to create a right-sized box for any item.



## Shipping

**UPS carbon neutral shipping** is an easy, cost-effective way to offset GHG emissions from shipments of any size. With **UPS Smart Pickup**® service, customers can schedule a pickup only when needed, avoiding unnecessary trips and emissions.



## Returning

We simplify returns for customers and consumers with turnkey packaging, preprinted labels and more than 150,000 convenient drop-off and pickup locations. UPS's reverse logistics solutions also help customers reclaim and refurbish products to be used again.

## Receiving

**UPS My Choice**® service enables customers to adjust delivery times or locations, while **UPS Access Point**™ locations enable centralized pickup. These solutions increase customer convenience and help avoid unnecessary trips, miles, and emissions.





## STAKEHOLDER PERSPECTIVE

**Tom Bihn**

PRESIDENT, TOM BIHN



**At TOM BIHN, we are in the business of sustainability. As we design and manufacture our backpacks and travel bags, we try to embed sustainable practices at every step of the value chain, hoping to build bags that are durable enough to sustain our customers' needs for a lifetime.**

To us, it makes more sense to use the highest quality materials and craftsmanship up front, so that our products can be used as long as possible.

Every aspect of our business is geared toward this long-term sustainability. For example, all of the electricity used in our factory is green energy from renewable sources, such as wind and hydro. We also try to take a complete circle approach where possible, not only recycling office paper and packaging materials, but also *purchasing* recycled paper: Creating a market for recycled materials is an often overlooked part of the recycling story.

When we're trying to make more sustainable choices, it helps to have partners who can provide turnkey solutions, so we can focus on the business. That's why we began using UPS carbon neutral shipping, which offers an easy way for us to offset the carbon impact of our shipments to customers — and for any returns. We were also excited to participate in UPS's Eco

Responsible Packaging program, where they evaluated our approach to selecting materials and right-sizing packages with the environment in mind.

These solutions have enabled us to greatly reduce the impact of shipping our products without requiring large investments. Smaller companies could easily say, "We're so tiny, what can we do?," but UPS's solutions make it possible for companies of any size to have a positive impact.

People often ask how we balance profitability and sustainability. For us, there's no trade-off. The rationale is very clear: There is no business to be done on a dead planet. And as a company that uses raw materials and natural resources for our products, we have a responsibility to conserve where we can and operate with the environment in mind. With UPS as our partner, I know we will continue to drive more sustainable practices throughout our value chain.

# 5

# Environmental Responsibility

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MATERIAL ISSUE	ASPECT BOUNDARY WITHIN UPS	ASPECT BOUNDARY OUTSIDE UPS	CORRESPONDING GRI G4 ASPECT	GRI G4 SPECIFIC STANDARD DISCLOSURES
<b>Energy, Emissions &amp; Fuel Supply</b>	U.S. & International Package Operations, Global Supply Chain & Freight	Global providers of purchased transportation services	<ul style="list-style-type: none"> <li>• Energy</li> <li>• Emissions</li> <li>• Environmental Grievance Mechanisms</li> </ul>	G4-DMA, G4-EN3, G4-EN4, G4-EN5, G4-EN6, G4-EN7, G4-EN15, G4-EN16, G4-EN17, G4-EN18, G4-EN19, G4-EN21, G4-EN34

COMMITTED  
TO MORE

## Mark Espinosa

UPSer Mark Espinosa drives a Liquefied Natural Gas (LNG) vehicle on his daily Southern California route, playing an important role in the company's efforts to reduce environmental impacts. "My route is in a big city where there is a lot of pollution. I take pride in knowing I am helping to improve air quality and reduce UPS's carbon footprint," explains Mark. By testing and rolling out LNG and other alternative fuels to power trucks, UPS is reducing its footprint without sacrificing vehicle performance or customer service. "Sustainability is important to me at work and in my everyday life," says Mark. "UPS is giving me an opportunity to help."





## UPS PERSPECTIVE

## Ed Rogers

SENIOR DIRECTOR OF GLOBAL SUSTAINABILITY



**This past year, I was inspired by two extraordinary examples of global collaboration: the announcement of the United Nations' Sustainable Development Goals in September and, of course, the Paris Agreement reached by 195 nations at the U.N. Climate Change Conference in December.**

For me, these examples served as an important reminder that the global sustainability issues we all face are much too large for any one country or company to tackle on its own. Driving innovative solutions to these challenges takes foresight, courage, and experience from what has worked in the past and what hasn't. It also requires people who are united around a shared goal.

At UPS we are uniting with others to solve one of our biggest challenges: greenhouse gas emissions. Today, it is impossible to be a truly global logistics company without utilizing cars, trucks, trains, ships, and airplanes powered by petroleum-based fuels. UPS's current goal is to reduce our carbon intensity 20 percent by the end of 2020; in 2015 we reached the 14.5 percent reduction mark.

I am proud of the progress we have made to address our environmental impacts through alternative transport solutions, route optimization technology, and innovative delivery solutions. Nevertheless, absolute emissions tend to increase as our small package and freight volume grows and as e-commerce continues to shift how we all buy products. E-commerce shipments are generally B2C residential deliveries, with more stops and fewer packages at each stop (compared with B2B). This translates into more miles, fuel, and emissions. The environmental footprint of a package increases even further when you consider the inherent inefficiencies and complexities of residential deliveries, such as unsuccessful delivery attempts that require drivers to make another stop the next day.

For our industry, the key to reducing absolute emissions is to shift from petroleum to cleaner-burning, lower-carbon alternative fuels that make economic sense. Within our ground fleet, we are

making good progress using a wide range of technologies, including renewable diesel and renewable natural gas. For UPS's large fleet of aircraft, however, the challenge is more daunting. Jet fuel consumption accounts for 57 percent of UPS's total GHG emissions, but unfortunately large-scale refining of next-generation aviation biofuels is not yet economically viable. Moreover, these lower-carbon jet fuels are not currently competitively priced.

At UPS, our culture of "constructive dissatisfaction" drives us to overcome challenges, break down barriers, and find new ways of doing things. The issue of absolute emissions is no different. Even in the face of these challenges, we continue to collaborate with stakeholders to test new ideas and pioneer new solutions that are better for the environment and our business.

Through cross-industry collaborations such as BSR's Future of Fuels working group and the World Business Council for Sustainable Development's Low Carbon Freight initiative, we are exploring alternative technologies and new logistics models that can reduce our industry's reliance on higher-carbon, petroleum-based fuels. We also collaborate with suppliers, who provide innovations such as renewable diesel, renewable natural gas, and hybrid electric delivery vehicles, while UPS provides the scale needed to advance broader adoption by the transport industry.

Throughout our 109-year history, we have found that good ideas and actionable solutions emerge when people unite around a common goal. This is especially true when tackling complex global sustainability problems. Alone, individual parties will not be successful, but through collaboration we can achieve meaningful progress.



# 5.1 Material Aspects

At UPS, we address major issues by combining global strategies with everyday actions that collectively add up to make a big difference. We recognize the environmental challenges facing society and are committed to working throughout our value chain to help solve them. Our commitment extends to engaging and leading others toward greater awareness and actions. To do so, we focus on three environmental issues most material to UPS and our stakeholders: energy, emissions, and fuel supply.

### Energy

We help the world grow more prosperous by providing transportation and logistics solutions that facilitate trade. This role requires the use of substantial amounts of energy, primarily in the form of fuel for our vehicles and planes. We also need energy for our distribution facilities, where we sort and route shipments for maximum efficiency, and for large data centers, where our IT systems support our vehicles, facilities, and customers.

### Emissions

Today, the vast majority of the energy we consume comes from fossil fuels, which generate greenhouse gas (GHG) emissions. Like many other organizations around the world, we acknowledge that GHG emissions affect the climate and pose a serious challenge to the environment and ultimately the global economy. We believe everyone shares responsibility to

improve energy efficiency and to reduce GHG emissions in the atmosphere. UPS supports global and national efforts to mitigate the impact of climate change. Our full statement on climate change can be found on our website at [www.sustainability.ups.com/resources/policies-and-procedures](http://www.sustainability.ups.com/resources/policies-and-procedures).

### Fuel Supply

Our business depends on fuel to meet customers' logistics needs efficiently and effectively. This requires stable, consistent, and affordable access to quality fuels and refueling infrastructure on a large scale. This access can differ significantly in various locations around the world and can change, often rapidly, based on factors such as weather or geopolitical events. Responsible fuel sourcing requires constant monitoring of both current and emerging market conditions around the world.



## 5.2 Shared Management Approach

Our management approach to Energy, Emissions, and Fuel Supply focuses on five principles that span each of these areas.

### Network Optimization G4-DMA

Our business success and our environmental responsibility both depend on the efficiency of our global logistics network. We have the expertise and infrastructure to handle all categories of service — express, ground, domestic, international, commercial, and residential — through one integrated and optimized network. This strategy increases our efficiency and reduces environmental impacts associated with our network, such as GHG emissions.

Our network is also the primary way in which we preserve natural capital. We benefit society by providing more efficient logistics from a financial and natural capital perspective than customers could on their own. A reduction in our carbon intensity translates into an absolute GHG reduction for our aggregated customer base and the planet. This is why we strive



to serve customers more efficiently, slowing the growth of fuel use and GHG emissions, even as business volumes grow. Our optimized global logistics network, combined with our global GHG strategy, helps improve our efficiency and reduce our carbon intensity.

### Comprehensive Data Measurement & Management

We have established global, state-of-the-art IT systems that gather package-level detail on our shipping activity. This wealth of operating data is analyzed in conjunction with the GHG emissions data gathered for our fleets and facilities. The results help us optimize our network, pinpoint our investments and capital expenditures, and accurately report externally on our GHG emissions and other environmental KPIs.

Our analytical data capabilities are considerable and enable us to:

- Advise customers on how to reduce environmental impacts associated with shipping;
- Drive operational efficiencies that benefit the environment;
- Identify global network opportunities for future R&D and capital expenditures; and
- Obtain assurance on our environmental performance with a high degree of transparency to drive confidence and trust among stakeholders.

The use of data analytics is also a good example of how we deploy intellectual capital in a more integrated approach to environmental performance.

### Global GHG Reduction Strategy

We take a comprehensive, global approach to reducing energy use and GHG emissions, including all our ground, air, and facility operations, as well as major portions of our value chain, including customers and suppliers. Our strategy includes:

- Reducing the miles we travel in our global transportation network and, accordingly, the fuel we use, to accomplish any given level of shipping;





- Expanding our fleet of alternative fuel and advanced technology vehicles, known as our rolling laboratory, in order to reduce the proportion of conventional fuels we use;
- Reducing conventional energy use and increasing the renewable energy use in our fleet and facilities;
- Providing shippers with services that help them reduce their environmental impact; and
- Helping increase supplier awareness about GHG emissions and how to reduce them.

### External Engagement

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

### Fuel Supply Management

Responsible management of our fuel supply, which represented 5 percent of our total operating expense in 2015, is another critical part of our shared approach to energy and emissions. Maintaining the integrity of our fuel supplies is critical to ensuring we can deliver for customers. Our strategy encompasses:

- Large-volume data gathering on all our air and ground fleet — including those in our rolling laboratory — to understand our fuel requirements in great detail;
- Direct purchases from vetted counterparties, including producers and brokers, to help ensure supply integrity for meeting customer commitments, controlling costs, and ensuring quality;
- Diversification of our supplier base to minimize risks of outages;

- Research, development, and implementation of innovative routing and fleet performance technologies like ORION to enable us to improve fuel efficiency; and
- Solutions such as UPS My Choice® service and the UPS Access Point™ network, which allow us to deliver more effectively for customers while also reducing the amount of fuel we use to make those deliveries.

In addition to our overall fuel supply management strategy, we also leverage our scale and expertise to actively promote the development of lower-emission alternative fuels. This includes:

- Employing a rolling laboratory approach in which we use our fleet size and diversity to help test the viability of alternative fuels in real-world operating conditions;
- Investing in a fast-growing fleet of vehicles that uses alternative fuels, which helps to create market incentives to expand supplies of those fuels;
- Collaborating with government and NGOs in select alternative fuel initiatives such as the U.S. Environmental Protection Agency (EPA) SmartWay® Program, Green Freight Europe, and Green Freight Asia that promote the use of alternative fuels;
- Participating in the World Business Council for Sustainable Development's Low Carbon Freight initiative to explore the potential for emissions reductions through optimization and collaboration between companies on road freight transport (see page 18); and
- Funding of, participation in, and championing of the Future of Fuels program at BSR, a leading nongovernmental sustainability organization, to study the impacts of all fuel sources and help guide business in the development of relevant policies and practices.

A complete discussion of Fuel Supply Management can be found on page 88.



# How Our Global GHG Reduction Strategy Adds Up

We manage our GHG emissions across the full spectrum of our organization to realize meaningful reductions as measured in metric tonnes. To best understand the impact of those actions, the reduction in metric tonnes is converted into the equivalent number of cars that could be removed from the road.

**ABSOLUTE CO2 AVOIDED SINCE 2010**  
(in metric tonnes)

**EQUIVALENT IMPACT: VEHICLES TAKEN OFF ROAD FOR ONE YEAR**



## Ground Fleet

Optimize fuel use through rolling lab of alternative fuel and advanced technology vehicles, technology innovations such as ORION to reduce miles traveled, and our integrated network to eliminate redundancies.

1.9 million



## Air Fleet

Manage aircraft efficiency improvements, including winglets, weight reduction, and process modifications to minimize fuel use.

111,000



## Supply Chain & Freight

Manage network efficiency improvements, implementation of telematics, improved dispatching of drivers, consolidation of shipments, and loading efficiency in ways that keep miles driven to a minimum.

1.0 million



## Intermodal Shifting

Use and shift deliveries in real time to most efficient transport mode or combination of transport modes, based on differing energy intensities that range from aircraft at the high end to ships at the low end.

18.5 million



## The UPS Foundation Global Forestry Initiative

Continue our commitment to plant 15 million trees by 2020; 5 million planted to date.

195,000



**4.6 Million**  
vehicles taken off the road



# 5.3 Energy & Emissions

In 2015, we held total GHG emissions — Scope 1, 2, and 3 — to a 2.7 percent increase over 2014, despite strong volume growth during the year. Scope 1 and 2 emission increases were held to 1.2 percent, despite our fast-growing premium air services and continued growth in e-commerce and overall retail sales. It is helpful to look at our air and ground fleet separately in order to better understand the dynamics behind this performance.

More than half of our Scope 1 and 2 emissions, or 57 percent, are generated by our airline operation, which increased its UPS Next Day Air® volume by 3.3 percent in 2015. As a result, emissions from aircraft grew 2.6 percent. Conversely, the ground portion of our U.S. package operations grew its volume by 0.6 percent, but was able to decrease its emissions slightly. The difference between the air and ground performance underscores the greater number of options for GHG reduction strategies, such as alternative fuel use, available to our ground operations as compared to our air operations.

Business-to-consumer shipments, which represent more than 45 percent of total U.S. Domestic Package volume, grew nearly 3 percent and drove increases in both air and ground shipments. Despite this volume growth, we were able to reduce absolute Scope 1 and 2 emissions from our U.S. Domestic Package ground fleet and facilities by 0.4 percent. This decrease was driven by operational efficiencies such as ORION, as well as the continued use of alternative fuels and advanced technologies within our ground fleet.

Scope 3 emissions — those owned or controlled by an external party, but occurring on behalf of UPS activities — increased 4 percent from 2014 to 2015. We report on all relevant Scope 3 categories, nine out of 15, as defined by the GHG Protocol. The two categories most relevant to our business realized year-over-year increases. Increases in emissions from purchased transportation (category 4) were associated with strong volume growth in our U.S. Domestic Small Package, International Package, and UPS Supply Chain & Freight business segments. Upstream emissions related to the production of fuels and energy (category 3) also increased. We continue to work with supply chain partners to test and use fuels that create fewer emissions and greater environmental benefits (see page 88).

## Transportation Intensity Index

These figures represent the three different carbon intensity metrics we combine to generate the complete Index and illustrate for stakeholders how specific components of our business are reducing their carbon intensity.

**U.S. SMALL PACKAGE**  
CO<sub>2</sub>e/PACKAGE



↓15.2%

2007 BASELINE: 2.78 LBS  
2015 ACTUAL: 2.36 LBS

**GLOBAL AIRLINE**  
CO<sub>2</sub>e/ATM



↓9.3%

2007 BASELINE: 1.54 LBS  
2015 ACTUAL: 1.40 LBS

**U.S. SUPPLY CHAIN & FREIGHT**  
CO<sub>2</sub>e/LB of freight



↓25.4%

2007 BASELINE: 0.26 LBS  
2015 ACTUAL: 0.19 LBS

CARBON INTENSITY REDUCTION

↓14.5%

Overall Reduction  
Compared to 2007



## Environmental Responsibility

### 5.3 Energy & Emissions

#### Transportation Intensity Index

We reduced the overall carbon intensity of our ground and air fleets by decreasing the distance we cover to meet customer requirements and by reducing the amount of fuel required to travel a given distance or to carry a given amount of cargo or packages. Our Transportation Intensity Index is one of the key tools we use to evaluate our GHG reduction progress. This KPI normalizes our GHG emissions to business volume, covers 97 percent of our worldwide Scope 1 and Scope 2 CO<sub>2</sub>e emissions, and combines data from separate carbon intensity metrics associated with our business segments. Since its introduction in 2010, the Index has decreased every year, reflecting an ability to grow our business faster than related transport emissions.

In 2013, successful execution of our global GHG strategy enabled us to exceed a 10 percent reduction in carbon intensity three years ahead of our 2016 goal. Accordingly, we doubled the goal to a 20 percent reduction in carbon intensity by 2020. In 2015, we achieved a 14.5 percent reduction in our carbon intensity versus a 2007 baseline as a result of successfully executing GHG reduction strategies in our ground and air fleets, both of which are discussed later in this chapter.

#### Ground Fleet Efficiencies

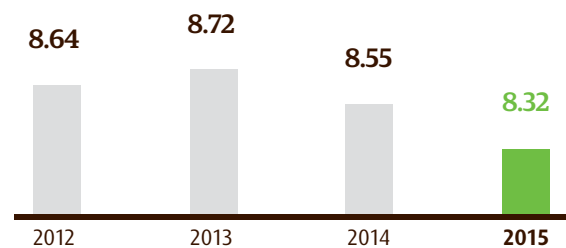
Optimization of our ground fleet drives both financial performance and environmental impact. Reducing the number of miles driven and hours spent delivering a shipment can translate into lower costs as well as energy savings and lower emissions. One KPI we use to assess the performance of our ground fleet is the number of packages we deliver for each gallon of fuel we consume in our highest-volume operating segment, U.S. Domestic Package. This measure includes fuel consumption by our “feeder” network, which connects our distribution hubs to each other and to high-volume customers, our own delivery network with the familiar brown delivery vehicles, as well as third-party trucking and rail partners.

E-commerce growth continues to put pressure on this KPI. The rise of e-commerce is creating more delivery points due to

the increase in the number of residential and small business customers we serve. This means that we must relentlessly optimize the efficiency of our network to remain economically competitive and environmentally sustainable. Technology is key to realizing these goals in both our feeder and delivery network operations. Cutting-edge analytics help us reduce the miles we travel and the corresponding fuel we use, while our alternative fuel and advanced technology vehicles enable us to explore potentially less-carbon-intensive ways to travel those miles. Our people also play a role in optimizing performance by ensuring that their day-to-day behaviors and practices fully maximize the potential of these technologies.

#### Ground Packages Per Gallon Of Fuel

U.S. Domestic Package



#### Feeder Network Efficiencies

Our feeder network accounts for more than half of our fuel consumption in our U.S. Domestic Package business segment. It includes fuel used by third-party transportation providers, such as trucking companies and railroads. We have a variety of ongoing initiatives as well as new opportunities to improve efficiency in our feeder network.

Our 2015 acquisition of Coyote Logistics, a leading third-party logistics service provider in North America, has the potential to significantly improve efficiency in our feeder network by reducing empty backhaul miles. As efficient as our network is, we do transport a significant amount of empty truck movements each year. The amount of empty equipment that needs

G4-EN21

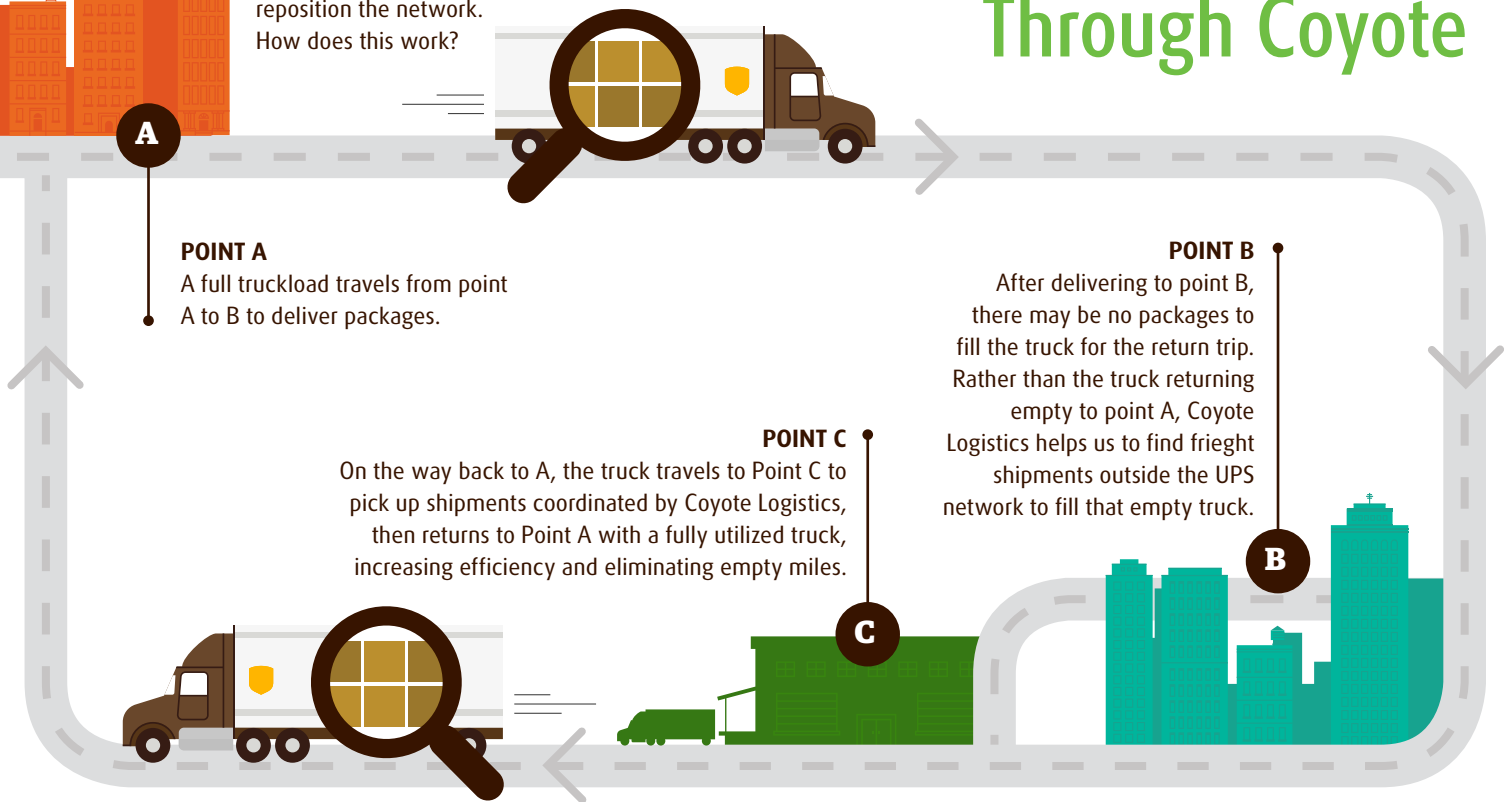
## Particulate Emissions Reduction

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

	2012 Baseline Year	2015 Actual	2020 Goal
PM2.5 Emissions per Ground Vehicle (kg PM2.5/vehicle)	18	10 (44% reduction)	75% reduction from 2012 baseline
NOx Emissions per Ground Vehicle (kg NOx/vehicle)	503	280 (44% reduction)	60% reduction from 2012 baseline

# Reducing Empty Miles Through Coyote

Our acquisition of Coyote Logistics allows us to replace empty miles with efficient trips that generate revenue as we reposition the network. How does this work?



to be re-positioned is due to both the size and scale of our network as well as our need to balance our network to meet our customers' needs. We are leveraging Coyote's expertise in backhaul movement to fill empty capacity within the UPS network with revenue-producing truckload shipments. Coyote provides truckload, less-than-truckload, and intermodal brokerage services and transportation management services for thousands of shipments per day. Many of these customers are in industries where UPS does not have a large footprint, such as food, beverage, and consumer goods. Combining the UPS and Coyote customer bases creates new opportunities to improve efficiency. Reducing empty miles makes the aggregate supply chain more efficient and reduces absolute emissions associated with the delivery of goods across all sectors.

We also realized benefits from the Coyote acquisition in peak season operations. Coyote's truckload brokerage capabilities, along with its network of about 40,000 contract carrier companies, provide cost-effective, flexible capacity to help meet demand during peak season. Our ability to effectively scale our network to handle fluctuations in demand is an increasingly critical element of providing our customers with efficient logistics solutions.

We continually evaluate new fuel-saving equipment and technologies in our feeder network. Currently, we are testing a converter dolly for double- and triple-trailer combinations, which are used on approximately 45 percent of our U.S. feeder runs. Known as the T-Dolly, the dolly automatically retracts to close the trailer-to-trailer gap at highway speeds, which reduces aerodynamic drag and improves fuel economy 2.5 percent to 3.5 percent. At speeds below 40 miles per hour, the dolly automatically extends to allow for sharp turns. We believe the T-Dolly can play an important role in reducing fuel consumption for our fleet.

We fully leverage the capabilities of our global feeder network, which combines air, rail, ocean, and ground transportation, to offer customers environmentally friendly alternatives. Rail options, for example, consume less energy and produce lower carbon emissions than air or road freight. In 2014, we introduced Full Container Load rail services between the world's two largest global trade partners — China and the European Union — and added a Less-than-Container Load option in 2015. Trade growth between these two regions is expected to reach \$1 trillion by 2020. The expansion of our rail product portfolio in China reflects UPS's commitment to infrastructure developments along the Silk Road Economic Belt.

## Environmental Responsibility

### 5.3 Energy & Emissions

The green freight practices that we have adopted across our ground fleet operations also can be an important factor that customers consider when making a logistics sourcing decision. In 2015, UPS was among the first companies to successfully apply for the Green Freight Asia Label, which recognizes a commitment to sustainable freight and delivery practices based on a third-party application assessment. We participate in similar green recognition programs in other regions, including the EPA SmartWay program in the United States and the Green Freight Europe Label program.

#### ***Delivery Network Efficiencies***

We have a long track record of successfully applying cutting-edge technologies and analytics to improve our fleet efficiency. For more than a decade, we have been leveraging data through telematics, package routing technology, service offerings, and other strategies to optimize network efficiencies and minimize the miles we drive. Some of these tactics include:

- Allocating pickups and deliveries to the most efficient number of vehicles each day at each facility, thus keeping vehicles off the road wherever possible;
- Routing vehicles to reach all required destinations in the least amount of time and miles driven; and
- Offering innovative solutions, such as UPS My Choice® service, the UPS Access Point™ network, and UPS Smart Pickup® requests to reduce wasted miles and associated emissions due to unsuccessful delivery and pickup attempts.

In addition to reducing the number of miles driven, we combine numerous techniques and technologies to reduce fuel use per mile, and apply them across more than 55,000 daily routes, such as:

- Selecting route options that minimize idling time spent waiting for traffic lights and turns, thus reducing fuel use and emissions;
- Matching vehicle types with routes where they will deliver the best fuel efficiency; and
- Conducting proactive, just-in-time maintenance on our vehicles to keep their miles-per-gallon performance as high as possible.

We measure the effectiveness of these initiatives by analyzing stops per mile. In our package business, we strive to increase stops per mile and avoid driving unnecessary miles. Our drivers make approximately 2 billion stops per year, which means a slight improvement in the number of stops per mile translates into significant reductions in fuel consumption and emissions. Such was the case in 2015 when total stops in our U.S. domestic package segment increased by 2 percent due to higher volume. Through route optimization and other efficiencies, we







decreased delivery miles driven by 0.03 percent. As a result, stops per mile improved from 1.48 in 2014 to 1.51 in 2015. This small improvement enabled us to avoid driving more than 23 million miles, eliminating 2.6 million gallons of fuel use and 25,000 metric tonnes of CO<sub>2</sub>.

The continued deployment of telematics is also helping us to reduce fuel use and CO<sub>2</sub> emissions. Our proprietary system gathers data on more than 200 vehicle-related elements, which are then analyzed to identify opportunities to enhance safety and boost efficiency. International deployment to date includes the United Kingdom, Germany, Denmark, the Netherlands, Ireland, Canada, Mexico, Singapore, and Puerto Rico. At year-end, more than 6,100 drivers outside the U.S. had telematics on their vehicles. Deployment is complete in all planned countries except Germany, which is expected to be fully deployed in 2016. We plan to expand telematics to other countries throughout 2016 and 2017. The use of telematics in our U.S. and international operations enabled us to avoid 287 million minutes of idling time in 2015, equivalent to 2 million gallons of fuel and 19,000 metric tonnes of CO<sub>2</sub>.

Our groundbreaking route optimization software, ORION, continues to deliver significant financial and environmental benefits. We began implementation of ORION, which stands for On-Road Integrated Optimization and Navigation, in 2013 after 10 years of development. Arguably the world's largest operations research project, ORION is proprietary routing software that uses package-level detail, customized online map data, fleet telematics, and advanced algorithms to take route optimization to a new level. ORION enhances customer service and reduces miles driven by determining the most efficient delivery route each day. In 2015, we completed deployment of ORION to 70 percent of U.S. routes. When fully deployed to all U.S. routes by the end of 2016, we expect to reduce the distance driven by our drivers by 100 million miles annually and achieve a 100,000 metric tonne reduction in CO<sub>2</sub> emissions. That is equivalent to taking 21,000 passenger cars off the road for a year, according to the EPA Greenhouse Gas Equivalencies Calculator. ORION will be deployed in other countries after 2017 to further reduce miles driven, fuel use, and CO<sub>2</sub> emissions.

## Environmental Responsibility

### 5.3 Energy & Emissions

#### Air Fleet Efficiencies

UPS Airlines is a critical component of our logistics network, helping us to quickly connect our customers around the world. As a result, we help to reduce the absolute GHG emissions associated with the shipping activities of our customers. To further reduce that carbon footprint, we work aggressively to minimize the carbon intensity of UPS Airlines, which accounts for 57 percent of our total GHG emissions.

As we increase the efficiency of our network, we have the opportunity to decrease the carbon intensity of our airline by reducing the number of miles flown and gallons of fuel consumed to meet customer needs. The primary way we measure this progress is through CO2 Pounds per Available Ton Mile (ATM), also stated as pounds of CO2 emitted for every ton of capacity transported one nautical mile.

In 2015, this KPI was 1.39 CO2 pounds per available ton mile compared to 1.37 in 2014. We have achieved a 10 percent reduction in carbon intensity at UPS Airlines since 2005, despite strong growth in air volume. We expect that our continued progress toward our 2020 goal of 1.24 CO2 pounds per available ton mile will be challenging. When this goal was originally set, we anticipated greater availability and assumed the use of alternative fuels in our air fleet.

Alternative fuels present a significant challenge to aviation since the fuel must meet stringent operating and airworthiness certification requirements. Aviation alternative fuel pathways have received certification, and select projects are underway. However, viable commercial production of these fuels at scale is still several years off and will depend on long-term market conditions. With the price of crude oil at record lows, the financial incentive for fuel companies to advance lower carbon alternative fuels has waned. We continue to participate in the Commercial Alternative Aviation Fuels Initiative, which provides us with a forum to monitor and engage in developments in alternative fuels and technologies for the airline.



UPS always strives to achieve the most optimal and efficient air network and will continue to do so with initiatives focused around three strategic areas: aircraft fleet, aircraft weight, and aviation procedures. Examples of our progress in aircraft fleet and weight are shown on page 83.

Our path forward to realize additional air fleet efficiencies extends to 2020 and beyond as the FAA continues to expand its next-generation (“NextGen”) air traffic control and surface traffic management systems. We have realized measurable improvements from the 2013 introduction of RECAT — the recategorization of wake turbulence separation standards — at our global air hub in Louisville, Kentucky. By reducing the separation standard between both inbound and outbound aircraft, we have decreased average taxi time by 9 percent and improved average arrival and departure rates by 10 percent. Our Flight Operations team continues to work closely with the FAA to explore re-engineering of the Louisville airspace. The FAA’s enhanced systems, combined with our ongoing internal initiatives, position us well to further optimize the performance of our air fleet in the future.

### CO2 Pounds per Available Ton Mile

#### UPS Airlines — Global Operations

	2005 Baseline	2013	2014	2015	2020 Goal	
LBS CO2/ATM (NAUTICAL MILES)	1.54	1.38	1.37	1.39	1.24	20% Reduction from Baseline
LBS CO2/ATM (STATUTE MILES)	1.34	1.19	1.19	1.20	1.08	20% Reduction from Baseline



# A Lower Carbon Footprint in the Air

Since 2005, UPS Airlines has reduced its carbon intensity by 10 percent, thanks to strategies focused on our aircraft fleet, aircraft weight, and aviation procedures. Here's how we avoided greenhouse gas emissions "in the air" during 2015.

## Safe Decrease in Separation Standards Between Certain Aircraft

Less time between takeoffs saves fuel by reducing taxi time

GHG REDUCED  
**900**  
metric tonnes

## Discretionary Fuel Reductions

Historical flight plan data enables more accurate fuel requirements

GHG REDUCED  
**9,100**  
metric tonnes

## Jet Engine Washing

Removes particulate matter accumulated during engine operation

GHG REDUCED  
**25,300**  
metric tonnes

## "Winglet" Modifications

Reduces drag and increases fuel efficiency by approximately 3.6 percent per flight

GHG REDUCED  
**79,400**  
metric tonnes

## Flight Crew Tablets

70 pounds lighter than a flight bag

GHG REDUCED  
**1,200**  
metric tonnes

## Fire-Resistant Containers (FRCs)

Enhance safety and weigh less

GHG REDUCED  
**4,800**  
metric tonnes





## Environmental Responsibility

### 5.3 Energy & Emissions



#### Facility Energy Efficiency

Beyond our transportation network, the operation of 2,580 UPS facilities around the world offers opportunities to reduce energy consumption and GHG emissions. UPS is committed to making sustainable business decisions, including using best management practices when considering the construction of new facilities and infrastructure to support daily operations. UPS is committed to evaluating all new construction projects for green-building rating system implementation. The Building Research Establishment Environmental Assessment Methodology (BREEAM), and the Leadership in Energy and Environmental Design (LEED) are the two rating systems most widely in use today across the globe.

UPS currently has four facilities that have received LEED certification from the U.S. Green Building Council. These include Gold Certification for our Corporate headquarters in Atlanta, Georgia; Gold Certification for our Supply Chain headquarters in Alpharetta, Georgia; Silver Certification for a UPS Supply Chain Solutions healthcare facility in Louisville, Kentucky; and Certification for a small package facility in Queens, New York. We also have a facility in Southampton, U.K. that has been BREEAM-certified excellent.

In addition, UPS currently has five facilities that have received Energy Star® certification from the U.S. Environmental Protection Agency (EPA). These include our Corporate headquarters and

Global Business Services facility in Atlanta, Georgia; our Supply Chain Solutions headquarters in Alpharetta, Georgia; and our Global Operations center and Air Group building in Louisville, Kentucky.

We continually evaluate new technologies to reduce energy consumption in existing facilities. Our campaign to upgrade light fixtures to LED technology is one example. We identified 100 of our highest energy-usage facilities in the U.S. and began upgrading light fixtures in these facilities to LED lights in 2014. We further advanced this program in 2015 by identifying an additional 100 facilities and beginning the process to upgrade these light fixtures. We expect to save more than 32 million kilowatt-hours per year when all upgrades are complete.

We also realize energy efficiencies through four U.S. facilities with photovoltaic solar systems. These are located in Palm Springs, California, and three locations in New Jersey: Lawnside, Parsippany, and Secaucus. These wholly owned renewable energy systems have an aggregate capacity of 2.6 megawatts and are capable of producing more than 3.5 million kilowatt-hours a year. We are currently evaluating opportunities to implement renewable energy solutions in additional UPS facilities.

## 5.4 Urban Mobility

Today, half of the world's population resides in urban areas; by 2050, two-thirds of all people will make cities their home. Over that same period, the global population is projected to grow by 2.5 billion, further increasing urban density.

These expanding populations are expected to help fuel an increase in middle-class consumers and global commerce. This consumer class will add volume to trade lanes, as well as doubling the number of vehicles on already congested roads to 2 billion. To meet these logistical challenges, we need solutions that are both economically feasible and environmentally sustainable.

As a global logistics provider, UPS is already on the ground pioneering innovative new delivery methods in metropolitan areas around the world. We are collaborating with customers, governments, and other stakeholders to develop plans for more intelligent transportation systems, as well as pushing for smarter mobility options and more agile city infrastructures.

For example, in London, where there is a congestion charge zone in the city center and regulations on vehicle emissions, we are working with the EU's Freight Electric Vehicles in Urban Europe (FREVUE) project to transform our delivery network. One solution we are implementing is converting certain

model delivery trucks from diesel to electric power at their mid-life point. This eliminates tailpipe emissions and also circumvents the limited availability of brand new electric vehicles of this size.

During 2015, we also worked with FREVUE to complete an infrastructure upgrade needed to deploy additional electric vehicles into the city center. We now have the capacity to deploy 68 electric vehicles in London. As of the end of 2015, we were operating 31 electric vehicles in London, 18 of which were diesel-to-electric conversion vehicles, advancing our goal of having an all-electric fleet in the city center by 2017.

We also launched two new technologies in the UK in 2015, including a prototype for our first range-extended electric vehicle. Together with TEVVA Motors, we developed technology that allows electric vehicles to go further distances and serve routes that would otherwise be beyond the capability of a conventional electric vehicle. The vehicle carries a small, highly efficient generator that recharges the batteries and can





## Environmental Responsibility

### 5.4 Urban Mobility



automatically turn off or on when entering or leaving the city center. This allows us to serve long-range routes while still operating as a fully electric vehicle in the city. We also deployed a prototype hydraulic hybrid vehicle, which is diesel-based but expected to have substantially lower emissions.

London isn't the only European city where we are implementing smart, sustainable solutions. In Germany, we expanded our fleet of electric vehicles by introducing diesel-to-electric conversion vehicles for package pickup and delivery in Hamburg and Düsseldorf. This is similar to our approach in London, but the trucks are larger, allowing even more deliveries to be made without tailpipe emissions.

We have also introduced an electrically assisted tricycle, called a Cargo Cruiser, into our Hamburg fleet to address both air quality and congestion concerns. The trike is designed to travel in and around pedestrian areas of a city by operating from a container that is brought into the city center once daily. We began testing the Cargo Cruiser in Hamburg, Germany, in 2013 and expanded the test with a tricycle in downtown Basel, Switzerland, in 2015.

Beyond our fleet, urban mobility solutions include the continued expansion of the UPS Access Point™ network to reduce congestion and emissions by eliminating missed drop-off attempts. This sustainable delivery solution enables consumers to pick up their deliveries from a convenient central location. At year-end 2015, our UPS Access Point network included more than 24,000 locations worldwide.

Many cities, particularly in Europe and Asia, are exploring ways to consolidate “final mile” deliveries to one organization in order to reduce the number of vehicles on the road in urban centers. In these and other efforts, our approach is to engage with city officials, provide thought leadership, and work toward collaborative solutions. We also advocate for the harmonization of regulations and standards among cities so that delivery companies can innovate in the most efficient manner possible.

One example of a collaborative solution is the World Business Council for Sustainable Development's (WBCSD) Zero Emissions Cities (ZEC) project to catalyze global action to create low-carbon cities. The project brings together municipal authorities and key stakeholders to develop roadmaps for up to 20 cities by 2020 to transform city energy systems toward zero emissions. The first phase of ZEC kicked off in 2015 through engagements with Amsterdam, the Netherlands; Birmingham, United Kingdom; and Navi Mumbai in India.

WBCSD and ZEC project partners will draw upon strategies that drive major efficiency improvements in such key sectors as building, mobility, and industry; electrification through renewable energy; utilization of smart systems for energy supply and demand management; and behavioral change. The project seeks to demonstrate that transformation is possible, provide clear best practices, and develop a toolkit that enables cities to leverage project outcomes to drive scalable implementation. Our engagement will involve contributing expertise around logistical technologies such as telematics, as well as alternative fuel and advanced technology vehicles such as electric and natural gas-powered package cars, and electric tricycles.



## STAKEHOLDER PERSPECTIVE

# Frank Horch

MINISTER OF ECONOMY, TRANSPORT, AND INNOVATION  
CITY OF HAMBURG, GERMANY



**With the second largest port in Europe, Hamburg has been a transportation center for centuries, serving as a vital link to facilitate trade between the continent and the world beyond.**

Today, regional and global transportation continues to drive Hamburg's economic vitality, though local transportation within the city is presenting us with some challenges.

First among these challenges is climate protection. Germany has committed to reduce carbon emissions 40 percent by 2020 and about 80 percent by 2050 as compared with 1990 levels. Our city is supporting these ambitious targets with its own master plan focusing largely on lowering CO2 emissions from vehicles through alternative transportation solutions.

Commercial traffic and congestion in densely populated areas of Hamburg, where road infrastructure cannot be expanded, is another motivation behind these solutions. Through the redesign of our commercial traffic systems and reductions in the number of large, commercial vehicles within the busiest parts of the city, we have been able to decrease the strain on our urban infrastructure and increase the overall navigability for the city.

To implement these and future solutions, we are relying heavily on the use of digital technology. One of the many projects we are currently working on is an application that helps detect available on-street parking.

We also depend on strong and collaborative partnerships with logistics providers such as UPS. Several years ago, UPS was one

of the few providers to begin work with the Business Improvement District (BID) in Neuer Wall, one of Hamburg's premier shopping districts, comprising more than 100 retailers.

UPS's innovative solution involves the replacement of all its large delivery vehicles with a smaller, city-friendly fleet. UPS drivers pick up deliveries from a storage container of consolidated shipments that is placed in the center of the delivery area in the city. UPS drivers then use alternative methods — including walkers, conventional tricycles, and electrically assisted tricycles — to make deliveries throughout the city center and in pedestrian-only zones. The packages are consolidated in the large container, so drivers make fewer trips to and from UPS facilities. All parties benefited from the solution — less noise, congestion, and pollution for Hamburg, and fewer risks, such as delivery delays, for UPS.

Further traffic reduction is a priority for us. We are eager to explore the results of our collaboration with UPS to determine how we can use our learnings to continue implementing green ideas and solutions. The challenges we are currently facing are not unique to Hamburg and are issues that persist in metropolitan cities throughout Europe and around the world. Our hope is that the innovative work UPS and Hamburg have pioneered together will serve as a solution other cities can replicate.



## 5.5 Fuel Supply

We outline the key strategies that govern our fuel supply management approach on page 75, while other sections of this chapter discuss how we are improving the fuel efficiency of our air and ground fleets through technology, advanced routing, and service offerings to our customers.

Here, we focus primarily on our use of alternative fuels, as well as insights gained and challenges experienced from operating one of the largest private fleets of alternative fuel and advanced technology vehicles in the U.S.

### Overview

Our business is dependent upon fuel to power both our air and ground fleets. This dependence presents two business challenges. First, we must ensure we have access to reliable, readily available, cost-effective, petroleum-based fuel. Second, we must manage the environmental impacts inherent in our business, as well as the growing regulations to mitigate emissions around the world. Alternative fuels and advanced technologies offer ways to help address these challenges today. The ability to economically produce and access these alternative fuels at sustainable commercial scale remains a key challenge.

Our ground fleet has considerably more alternative fuel and advanced technology vehicle options than the air fleet, and we have been exploring their use for the past three decades in our rolling laboratory. This is an opportunity to determine how alternative fuels and advanced technologies perform in diverse, real-world operating conditions. We measure the breadth of our engagement in alternative fuel and technology development through Alternative Fuel & Advanced Technology Miles Driven (see page 11).

During the past two years, our progress toward our billion-mile goal has accelerated at an exponential pace, reflecting significant and ongoing investment in our fast-growing fleet of alternative vehicles and fuels, as well as our support of a market for these fuels. Our rolling laboratory includes more than 6,800 vehicles worldwide, spanning a wide range of technologies that include hybrid electric, electric, propane, biomethane, lightweight fuel-saving composite body diesel, compressed natural gas (CNG), liquefied natural gas, ethanol, and hydraulic hybrid.

We made significant new deployments in 2015, adding over 1,750 new alternative fuel and advanced technology vehicles to our fleet. This included more than 800 natural gas tractor trailers, nearly 600 CNG and more than 350 propane package cars, along with several electric package cars. We plan to continue our investment in 2016 with the deployment of 125 new technology hybrid electric delivery trucks in Arizona, Texas, Nevada, Mississippi, Alabama, Georgia, and Florida, 18 all-electric delivery trucks in Texas, and 380 new CNG tractors.

We take a broad approach to advanced technology vehicles, evaluating all technologies on a global basis and attempting to deploy solutions in regions where they are economically viable. For example, CNG and propane are lower-emission, petroleum-based alternatives that are readily available and work well in North America, whereas the emphasis in much of Europe is on zero tailpipe solutions such as electric vehicles. The diversity of our rolling laboratory helps us address these regional disparities.

The continued growth of our alternative fuel fleet reflects a long-term view and commitment to meet our customers' needs for clean, low-carbon transportation options. It takes years, often decades, to develop alternative fuels and advanced technologies, which requires a commitment to stay the course even in difficult business environments. This was the case in 2015 when the price of crude oil averaged US\$52 a barrel, about half the average price in the previous five-year period.

### Alternative Fuels

Our search for alternative fuels involves many considerations — including performance, cost, availability, and refueling infrastructure — and has resulted in one of the most diversified fleets in private industry today. As we have assembled this fleet, we've used it to test alternative fuels and advanced vehicle technologies in our rolling laboratory. This laboratory is key to

our success and is enabled by our scope and scale. The rolling laboratory provides us with the opportunity to determine how alternative fuels and technologies perform in diverse, real-world operating conditions. Most important, the laboratory allows us to quickly deploy viable alternative fuel equipment at scale, based on market and operating conditions.

The insights we gain are used to plan investments and develop future strategies. We also share these insights with vehicle manufacturers and energy suppliers to enhance their understanding of how products can help make transportation more sustainable. When a particular fuel or technology demonstrates sustainable benefits in the laboratory, we take it to commercial scale through large purchases or infrastructure development if required. We demonstrate this approach through actual use of renewable fuels, as well as a commitment to help commercialize renewable fuels.

**Renewable Fuels**

In 2015, we used 5.6 million gallons of renewable diesel and renewable natural gas (RNG) to fuel our ground fleet. We also committed to increase purchases of RNG and renewable diesel by up to an additional 60 million gallons over the next several years, which will result in cleaner emissions and help to mature the market for these promising alternative fuels.

Our RNG commitment includes an agreement to purchase approximately 1.5 million gallon equivalents annually of RNG to fuel nearly 400 CNG vehicles in California. UPS fueling stations in Sacramento, Fresno, and Los Angeles began utilizing RNG in May to refuel tractors and delivery vehicles. In December, we also announced a multiyear agreement to supply 15 million gallon equivalents of RNG to more than 140 heavy-duty trucks in Memphis, Tennessee; and Jackson, Mississippi. In addition to making UPS the largest user of RNG in the shipping industry, these commitments more importantly help mature the market for RNG, which we believe is a promising alternative fuel.

RNG is produced in landfills and other places where organic matter decomposes and releases methane (see page 90), which can be captured to provide a viable source of renewable transportation fuel. Because methane is more than 25 times more powerful as a GHG than CO2, the use of RNG provides a compelling, two-for-one GHG solution by replacing diesel and other petroleum-based truck fuels and avoiding the release of methane into the atmosphere. Our RNG purchases are not only helping to commercialize this fuel, but also demonstrate how our scale plays a role in that commercialization process. We can often provide enough volume to a landfill so that they can streamline their selling process to one purchaser rather than multiple parties.

Our renewable diesel commitment includes an agreement to purchase up to 46 million gallons of renewable diesel over the next three years. This represents a 15-fold increase over prior contracts and makes UPS one of the largest users of renewable diesel in the world. We have been using renewable diesel in trucks operating in Texas and Louisiana. The agreements pave the way for expanded use of renewable diesel across the U.S. and potentially in parts of Europe.

Also known as synthetic diesel, renewable diesel is an emerging alternative fuel that offers numerous benefits over first-generation alternative fuels such as biodiesel and ethanol. This fuel is chemically identical to diesel fuel and can be produced at commercial scale from a variety of organic sources. In addition to renewable inputs, the most significant advantage to this alternative fuel is its ability to serve as a “drop-in” replacement for traditional petroleum-based diesel without blending or infrastructure constraints. This means that renewable diesel could be used in both existing conventional engine technology, as well as refueling infrastructure. The development of this fuel, however, presents challenges that include cost and, depending on the organic source used, potential disruption to other markets.

**Our Commitment to Alternative Fuels**

UPS will remain the industry leader in seeking alternative fuel opportunities for our worldwide fleet.

These acts of leadership show UPS customers our efforts and will continually demonstrate our commitment by:



Protecting the global environment



Delivering packages and freight globally with the most environmentally friendly equipment possible



Paving the way for other transportation fleets to do more by continuing to be a leader in alternative fuel and advanced technology vehicles





# Trash to Gas

Renewable natural gas (RNG), or biomethane, is derived from many abundant renewable sources, including decomposing organic waste in landfills, wastewater treatment, and agriculture. RNG can be used in any natural gas vehicle. Our commitment to investing in natural gas infrastructure offers a unique opportunity to use this fuel in our extensive fleet.

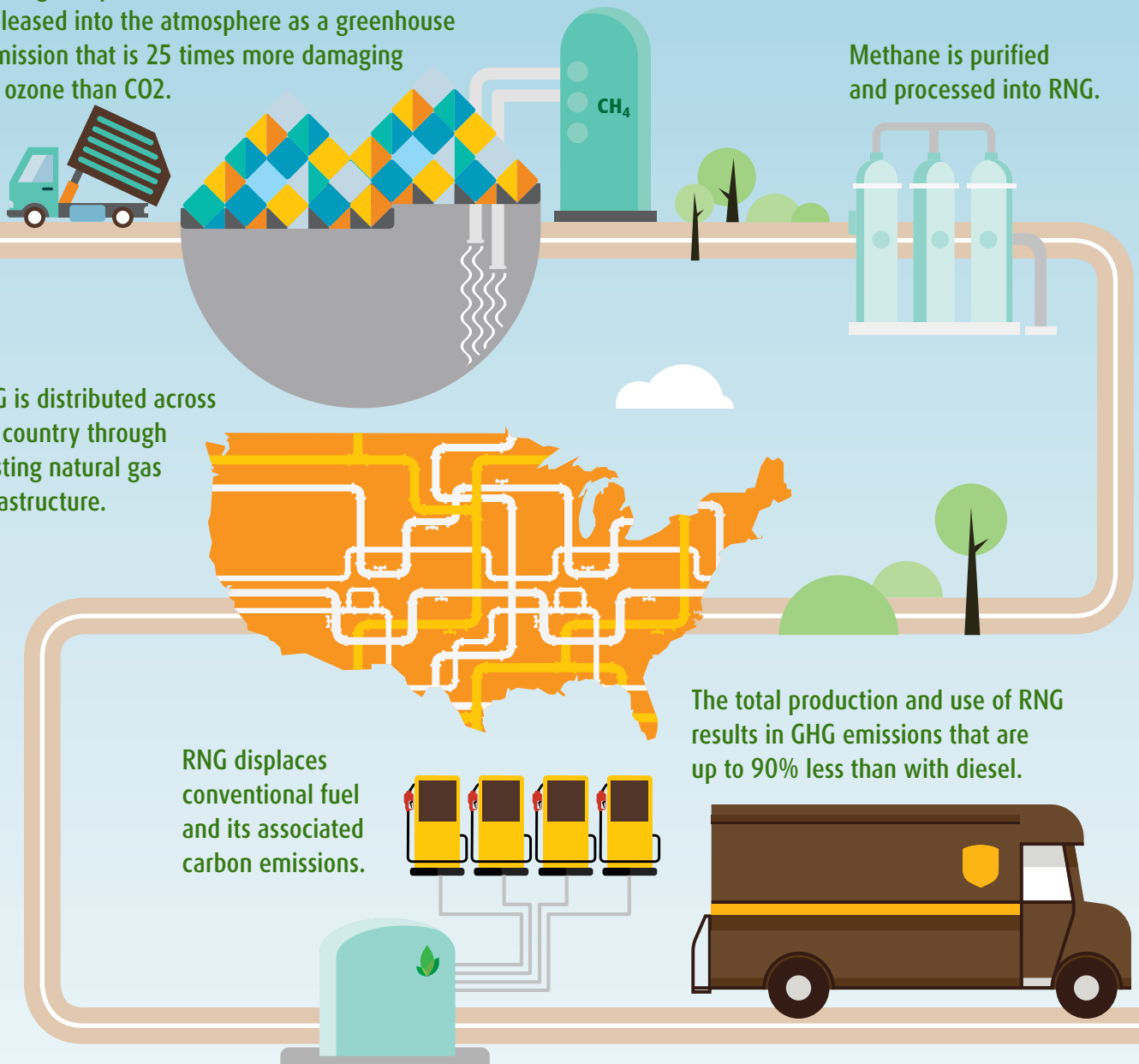
Methane gas is pulled from acres of buried waste before it is released into the atmosphere as a greenhouse gas emission that is 25 times more damaging to the ozone than CO<sub>2</sub>.

Methane is purified and processed into RNG.

RNG is distributed across the country through existing natural gas infrastructure.

RNG displaces conventional fuel and its associated carbon emissions.

The total production and use of RNG results in GHG emissions that are up to 90% less than with diesel.



## Analyzing Renewable Diesel in the Real World

As part of our commitment to help create a viable market for renewable fuels, we collaborate with others to test alternative solutions in UPS's rolling laboratory — our specialized fleet of alternative fuel and advanced technology vehicles. In 2015, we worked with the U.S. Department of Energy's National Renewable Energy Laboratory (NREL) on a study to better understand the fuel economy and emissions impacts of switching from conventional petroleum to synthetic renewable diesel.



Over the course of six months, the NREL Fleet Test and Evaluation Team collected data on UPS vehicles in various conditions during typical drive schedules. The test fleet consisted of medium-duty delivery vehicles — the iconic brown UPS trucks — and our heavy-duty tractor-trailers. More than 50 data points were captured per second, from vehicle speed to volume of emissions.

These tests confirm that the use of renewable diesel lowers overall emissions, with a 4.2 percent reduction in tailpipe CO<sub>2</sub> and 4.1 percent reduction in NO<sub>x</sub> emissions. Although fuel economy decreases slightly, overall performance improves — with quicker starts, a more powerful and smoother drive, and fewer harmful emissions, demonstrating that renewable diesel from non-petroleum sources is an efficient alternative.

Renewable diesel bridges the performance, operational, and economic gaps associated with other alternative fuels, and provides a clear path for other companies to scale and adopt renewable diesel as a cleaner-burning and lower-emission fuel for their fleets. We are continuing our collaboration with the Department of Energy to further research, test, and scale the use of renewable diesel.

The full report is available at [http://www.nrel.gov/transportation/fleetest\\_fuels\\_diesel.html](http://www.nrel.gov/transportation/fleetest_fuels_diesel.html).

### **Natural Gas Advantages**

Natural gas remains one of the foundational fuels of our alternative fleet, thanks to its ability to meet our diverse needs — especially the demands of the heavy-duty, over-the-road trucks that connect our regional hubs. These big rigs travel an average of 400 to 600 miles per day and require strong pulling power. Liquefied natural gas (LNG) and, more recently, compressed natural gas (CNG) have proven to be the best alternatives to diesel for these trucks, meeting their required range and performance criteria while burning cleaner than diesel or gasoline. CNG also performs well in our package cars on local routes averaging more than 100 miles daily.

To support our expanding CNG fleet, we continue to invest in refueling infrastructure. We build our own infrastructure to ensure our fleet has access to fuel, and we have full transparency of all costs involved. During 2015, we added 11 new

CNG refueling stations in cities throughout the U.S., and now have 33 CNG and LNG stations in 19 states. In 2016, we will further expand our refueling infrastructure with the addition of 12 CNG stations in a nine-state region. This infrastructure enables us to drive more than 5 million miles each week in our natural gas fleet.

Natural gas works, in large part, because of its environmental benefits and cost efficiency. Higher-priced alternative fuel vehicles and investment in alternative fueling infrastructure require an environment that supports fuel savings. The pay-back on these investments typically requires deployment in areas served by high-mileage shipments and availability of lower-cost alternative fuels. The enormous expansion in U.S. natural gas production and natural gas reserves provides confidence that natural gas prices will remain attractive compared with diesel prices for the foreseeable future.

UPS PERSPECTIVE

# Mike Whitlatch

VICE PRESIDENT, GLOBAL ENERGY & PROCUREMENT



**2015 was a remarkable year in global energy markets. North American petroleum production continued to set new records and Brent, the global benchmark for oil, decreased for the third consecutive year, falling 35 percent by the end of the year.**

Low petroleum prices create considerable economic benefits for UPS and many sectors of the global economy. Low oil prices provide a strong tailwind for our organization, reducing operational costs and providing economic benefits for our customers and shareholders.

But low oil prices also create significant headwinds for the energy sector, especially as it relates to alternative fuels. Low oil prices can stifle innovation and investment in alternative fuels and stall development of pioneering technology. When petroleum prices drop, a strong commitment from executive leadership both internally and externally is required to continue investment in cleaner, lower-carbon technologies — and that’s exactly what we have at UPS.

Our commitment is not new. We’ve known for decades that alternative fuels were an important part of the long-term strategy for our business and our stakeholders. Nearly 30 years ago, we began a concerted effort to evaluate alternatives that could reduce our dependence on crude while ensuring consistent fuel supply. These measures have included deploying propane, liquefied natural gas (LNG), and compressed natural gas (CNG) vehicles since the late 1990s. Even when the economics were less compelling, we continued to test and roll out alternative fuel and advanced technology vehicles.

As a leading global logistics company, we have a sense of responsibility to leverage our expertise, scope, and scale to explore and test the viability of new technologies. We do so by operating a rolling laboratory to evaluate a diverse range of existing and emerging technologies in real-world operating conditions.

This diversification strategy allows us to deploy and scale new technologies where and when the time is right. For example, our expansive natural gas fleet and infrastructure have positioned us to quickly implement early pilots of renewable fuels, such as renewable natural gas (RNG). As a result, UPS is now the largest user of RNG in the shipping business. In fact, we increased our commitment to renewable fuels in 2015, with plans to purchase up to an additional 60 million gallons of renewable diesel and RNG during the next several years. These types of commitments provide a degree of certainty to projects contemplating commercialization during times of economic uncertainty.

Our leadership has set clear objectives that depend on continued investment in alternative fuels, including a 20 percent reduction in carbon intensity by the end of 2020. The question is not, “Should we make alternative fuels work?” Instead we ask, “What’s the best way to make alternative fuels work?” With that mindset, I am confident our commitment will remain steadfast — regardless of the fluctuation in gasoline prices at your local filling station.





# UPS Rolling Laboratory

A diverse fleet of alternative fuels and advanced technologies

Through our rolling laboratory, we can determine how alternative fuels and advanced technologies perform in real-world operating conditions, quickly deploy viable options at scale, and spur market growth for alternative solutions.

## Propane

Rural routes of 100+ miles



## Electric/Hydraulic Hybrid

Suburban trips that average 100 miles



## Electric

City center trips less than 60 miles



## Ethanol

City center trips less than 60 miles



## Electrically Assisted Tricycle

Such as Cargo Cruisers in city centers for trips less than 20 miles



## Liquefied & Compressed Natural Gas (LNG & CNG)

Regional long haul trips between 400 and 600 miles; CNG package cars also support suburban routes with an average of 100 miles



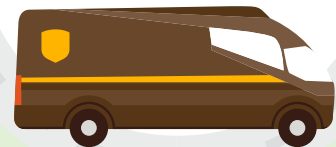
## Biomethane or RNG

Regional long haul trips between 400 and 600 miles



## Package Car of the Future

Will use advanced propulsion, maintenance forecasting systems, and high-tech materials to deliver millions of packages a day more sustainably



# Appendix

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# About This Report

G4-28 G4-29 G4-30

## Reporting Period

The report presents data as of December 31, 2015, and does not include operations of Coyote Logistics. We issue our Corporate Sustainability Report on an annual basis, including our previous Report focused on 2014. For Key Performance Indicators (KPIs), we present figures for up to four years (see pages 10, 11).

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## GRI Content

### **G4 Comprehensive**

The Report is organized and presented in accordance with the G4 framework established by the Global Reporting Initiative (GRI).

The G4 framework includes two options for reporting in accordance: “Core” and “Comprehensive.” This Report is ‘in accordance’ with the option Comprehensive of the GRI G4 Guidelines. We also present significant amounts of additional information not specified by GRI, such as statements contributed by outside stakeholders and graphics that illustrate various aspects of our business. UPS has voluntarily followed GRI reporting guidelines since 2003.

### **GRI G4 Content Index Service**

The GRI G4 Content Index Service is GRI’s most comprehensive service for reports based on the G4 Sustainability Reporting Guidelines as it includes all of the disclosures from the GRI G4 Content Index. The Service emphasizes the importance of the accuracy and usability of the GRI Content Index. This Report has completed the Context Index Service successfully.

### **GRI G4 Content Index**

We provide a complete GRI G4 content index in Appendix E, beginning on page 117.

### **GRI Indicators**

Disclosures on GRI indicators are marked with color-coded boxes near the titles of chapters and their subsections. These support transparent and comparable disclosures about sustainability within and across industries.

## External Assurance Reports

GRI recommends the use of external assurance, but it is not a requirement to be in accordance with the Guidelines. We conduct a strong assurance program that includes the following external assurance reports:

Deloitte & Touche LLP provides a review report on this Corporate Sustainability Report. Their external assurance statement is on page 96.

Deloitte & Touche LLP provides an examination report on our global Statement of Greenhouse Gas Emissions. Their external assurance statement is included in Appendix B, on page 111.

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## Third-Party Assurance and Verification

We believe external assurance is vital to the credibility and transparency of sustainability reporting and performance for all companies, because it promotes the broader cause of sustainability. We therefore engage with experienced and respected third parties to assure and verify our sustainability reporting. Authorization for these engagements, and approval of the providers we select, comes from the Audit Committee of our Board of Directors, which is our highest governance body. The assurance providers we engage with are independent organizations that offer objective analysis and conclusions, free from outside influence.

For this Report, we engaged Deloitte & Touche LLP to conduct an examination, in accordance with attestation standards established by the American Institute of Certified Public Accountants, which includes AT Section 101, Attest Engagements, to provide a reasonable level of assurance on our Statement of Greenhouse Gas Emissions for the years ended December 31, 2015, and 2014.

We also engaged Deloitte & Touche LLP to conduct a review, in accordance with attestation standards established by the American Institute of Certified Public Accountants, which includes AT Section 101, Attest Engagements, to provide a limited level of assurance on our 2015 Corporate Sustainability Report. Deloitte & Touche LLP’s assurance reports are on pages 96 and 111 respectively.

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## Contact Us

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

UPS

Attention: Sustainability Report Editor

55 Glenlake Parkway N.E.

Atlanta, Georgia 30328



# Independent Accountants' Review Report

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

We have reviewed the accompanying 2015 Corporate Sustainability Report of United Parcel Service, Inc. (the "Company") for the year ended December 31, 2015. The Company's management is responsible for the Corporate Sustainability Report.

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

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

Based on our review, nothing came to our attention that caused us to believe that the Corporate Sustainability Report does not include, in all material respects, the required elements of the Global Reporting Initiative G4 Sustainability Reporting Framework under its 'in accordance' Comprehensive option; that the 2010-2015 data and the 2007 Transportation Index baseline data included therein have not been accurately derived, in all material respects, from the Company's records, or that the underlying information, determinations, estimates, and assumptions of the Company do not provide a reasonable basis for the disclosures contained therein.

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

*Deloitte + Touche LLP*

June 29, 2016

# Statement of Greenhouse Gas (GHG) Emissions

for the years ended December 31, 2015 and 2014 **G4-EN15** **G4-EN16** **G4-EN17**

## GHG Performance

<b>Global CO<sub>2</sub>e Emissions ('000 tonnes)</b>	<b>2015</b>	<b>2014</b>	<b>% Change 14/15</b>	<b>Base Year<sup>(1)</sup></b>
Scope 1	12,205	12,000	1.7%	11,713
Scope 2 (location-based)	815	870	-6.4%	831
<b>Gross Scope 1 &amp; 2</b>	<b>13,020</b>	<b>12,870</b>	<b>1.2%</b>	<b>12,544</b>
Scope 3	15,537	14,940	4.0%	14,821
<b>Gross Scope 1, 2 &amp; 3</b>	<b>28,557</b>	<b>27,810</b>	<b>2.7%</b>	
Voluntary carbon offsets for Scope 1 carbon neutral service (retired)	(44.9)	(40.2)		
Voluntary carbon offsets for Scope 2 carbon neutral service (retired)	(3.2)	(3.4)		
Voluntary carbon offsets for Scope 3 carbon neutral service (retired)	(4.8)	(7.5)		
<b>Net Global CO<sub>2</sub>e Emissions</b>	<b>28,504</b>	<b>27,759</b>	<b>2.7%</b>	

<b>Biomass CO<sub>2</sub> Emissions (‘000 tonnes, not included in above totals)</b>	<b>2015</b>	<b>2014</b>	<b>% Change 14/15</b>	<b>Base Year<sup>(1)</sup></b>
Mobile Combustion — Biomass CO <sub>2</sub> (e.g., ethanol, biodiesel)	108	80	35.4%	0
Stationary Combustion — Biomass CO <sub>2</sub>	0	0	0%	0
<b>Total Biomass CO<sub>2</sub> (reported separately as per GHG Protocol)</b>	<b>108</b>	<b>80</b>	<b>35.4%</b>	<b>0</b>

<b>Scope 2 CO<sub>2</sub>e Emissions ('000 tonnes)<sup>(2)</sup></b>	<b>2015</b>	<b>2014</b>	<b>% Change 14/15</b>	<b>Base Year<sup>(1)</sup></b>
Scope 2 (location-based method)	815	870	-6.4%	831
Scope 2 (market-based method)	815	870	-6.4%	831

(1) Base Year for Scope 1 and 2 is 2010 and for Scope 3 is 2012

(2) Location-based and market-based Scope 2 emissions are being reported as per the new GHG Protocol Scope 2 Guidance. UPS does not have any existing contractual instruments in place for specific emission factors from purchased electricity, therefore the average energy generation emission factors based on location are used for both Scope 2 methods.

# Statement of GHG Emissions

for the years ended December 31, 2015 and 2014

G4-EN15 G4-EN16 G4-EN17

## Note 1 — GHG Reporting Policies

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

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

Scope 3 GHG emissions information was prepared in accordance with the World Resources Institute/World Business Council for Sustainable Development Greenhouse Gas Protocol: Corporate Value Chain (Scope 3), Accounting and Reporting Standard. Scope 3 emissions include all relevant Scope 3 categories, nine of the 15 categories as defined by the GHG Protocol.

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

Notes 2-7 below include information on the GHG emissions by business unit, emission source, gas type, as well as intensity disclosures.

### Base Year GHG Emissions

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

The base year GHG emissions for Scope 1 and 2 was set as year 2010, as this was the first year the organization obtained assurance for greenhouse gas emissions.

The base year for Scope 3 emissions was set as year 2012, as this was the first year the organization obtained assurance on all relevant reporting categories.

### Greenhouse Gases

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

The GHG Protocol defines a global warming potential (GWP) as “a factor describing the radiative forcing impact (degree of harm to the atmosphere) of one unit of a given GHG relative to one unit of CO<sub>2</sub>.” By using GWPs, GHG emissions from multiple gases can be standardized to a carbon dioxide equivalent (CO<sub>2</sub>e). The global warming potentials used are:

Gas	Global Warming Potential (GWP)	Reference
Carbon Dioxide (CO <sub>2</sub> )	1	Second Assessment Report (SAR) published by Intergovernmental Panel on Climate Change
Methane (CH <sub>4</sub> )	21	
Nitrous Oxide (N <sub>2</sub> O)	310	
HFC-134a	1300	

### GHG Reporting Scope and Boundary

The Statement of Greenhouse Gas Emissions includes Scope 1 (direct), Scope 2 (indirect), and Scope 3 (indirect) emissions that were reported for operations within the organizational boundary described below. GHG emissions have been reported from the entities where the Company has operational control as defined by the GHG Protocol. See notes 8 and 9 for a detailed description of the operational boundaries.

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

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

In 2015, we acquired Coyote Logistics, a U.S.-based truckload freight brokerage company. The acquisition added large-scale truckload freight brokerage and other transportation management services to our Supply Chain & Freight reporting segment. The acquisition



# Statement of GHG Emissions

for the years ended December 31, 2015 and 2014

occurred in the third quarter of 2015 and will be included in our 2016 GHG emissions inventory.

## Uncertainty

As calculations of GHG emissions contain uncertainty for a variety of reasons, we conducted an uncertainty analysis to quantify estimates of the likely or perceived difference between the reported GHG emissions and a qualitative description of the likely causes of the difference, such as uncertainty in data inputs and calculation methodologies; uncertainty associated with mathematical equations used to characterize the relationship between various parameters and emission processes; and uncertainty associated with quantifying the parameters used as inputs to estimation models. UPS continues

to improve internal processes for primary data collection to reduce uncertainty in its GHG inventory reporting for Scopes 1 and 2. UPS continues to work with the third parties responsible for providing the data necessary to calculate Scope 3 emissions and will continue to work on improving the data management and the methodologies used to estimate these emissions to reduce the uncertainty in our GHG inventory reporting. Using the GHG Protocol “Measurement and Estimation Uncertainty of GHG Emissions” guidance and analyzing the collected data through Monte Carlo simulations by using the @Risk statistical analysis software at 95 percent confidence interval, we are able to estimate the uncertainty for our 2015 GHG inventory as follows:

Scope	Uncertainty	Main Source of Uncertainty	Comments
Scope 1	+/- 1%	International Operations	<p>U.S. Operations (Small Package, Supply Chain &amp; Freight) and UPS Airlines are our largest source of Scope 1 emissions and represent 97% of the total Scope 1 emissions. Well-established processes are in place to capture the primary data for these sources.</p> <p>International Operations represent 3% of the total Scope 1 emissions.</p>
Scope 2	+/- 2%	International Operations	<p>U.S. Operations (Small Package, Supply Chain &amp; Freight) are our largest source of Scope 2 emissions, representing 87% of the total Scope 2 emissions. Well-established processes are in place to capture the primary data for these sources.</p> <p>International Operations represent 13% of the total Scope 2 emissions.</p>
Scope 3	+/- 8%	Use of secondary data	<p>UPS reports on all relevant Scope 3 categories described in the Greenhouse Gas Protocol Corporate Value Chain (Scope 3) Accounting &amp; Reporting Standard.</p> <p>Calculations for Scope 3 use various sources of secondary data since primary data is unavailable. Examples of the type of secondary data used vary from estimated miles driven, number of packages picked up/delivered to estimated shipment information (weight and distance per shipment).</p>

# Statement of GHG Emissions

for the years ended December 31, 2015 and 2014

## GHG Emission Factors

The carbon dioxide equivalent emissions associated with the activities described in notes 8 and 9, were determined on the basis of measured or estimated energy and fuel use, multiplied by relevant carbon emission factors.

Published emission factors were used to calculate emissions from operations.

Emissions Source	Emission Factor Employed
Scope 1 — Global	GHG Protocol Emission Factors from Cross-Sector Tools, April 2014
Scope 2 — U.S.	US Environmental Protection Agency eGRID_2012
Scope 2 — Canada	Environment Canada, National Inventory Report, 1990-2012
Scope 2 — Other	CO2 Emissions from Fuel Combustion Highlights (2014 Edition © OECD/IEA)
Scope 3 — Global	Category 1 & 2: GHG Protocol Scope 3 Evaluator Category 3: Argonne National Laboratory GREET_1 2014 Model Category 4: EPA SmartWay Carrier Rankings and Emission Rates (railroad only) Category 4: US Environmental Protection Agency eGRID_2012 Category 4, 6, 7, 14: GHG Protocol Emission Factors from Cross-Sector Tools, April 2014 Category 5 & 12: 2012 Guidelines to DEFRA/DECC's GHG Conversion Factors for Company Reporting

## Methodology

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

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

## Note 2 — Carbon Offset Purchases From UPS Carbon Neutral Product

A carbon offset is a certified financial instrument aimed at a reduction in GHG emissions. The offsets we purchase meet the key standard of additionality, which means that the carbon reduction project in question (such as reforestation) produced a reduction in CO<sub>2</sub>e generation or sequestration of CO<sub>2</sub>e in addition to what would have been achieved by activities already planned or underway.

Project Name	Project Location	Offset Standard	Project Type	2015 Metric Tonnes Retired	2014 Metric Tonnes Retired
Garcia River Forest	U.S. (California)	CAR	Reforestation	39,514	21,097
Chol Charoen Group Wastewater Treatment with Biogas System 1	Thailand (Cholburi)	VCS	Wastewater Methane Destruction	13,420	0
Big River and Salmon Creek Forests	U.S. (California)	CAR	Reforestation	0	30,000
<b>Total Carbon Offsets</b>				<b>52,934</b>	<b>51,097</b>

# Statement of GHG Emissions

for the years ended December 31, 2015 and 2014

## Note 3 — Emissions by Business Unit

Emissions by Business Unit												
Global CO <sub>2</sub> e Emissions ('000 tonnes)	U.S. Domestic Package			International Package			Global Supply Chain & Freight			Totals		
	2015	2014	Base Year <sup>(1)</sup>	2015	2014	Base Year <sup>(1)</sup>	2015	2014	Base Year <sup>(1)</sup>	2015	2014	Base Year <sup>(1)</sup>
Scope 1	7,189	6,954	6,649	4,155	4,140	4,022	861	906	1,042	12,205	12,000	11,713
Scope 2	603	654	615	71	66	72	141	150	144	815	870	831
<b>Total Scope 1 &amp; 2</b>	<b>7,792</b>	<b>7,608</b>	<b>7,264</b>	<b>4,226</b>	<b>4,206</b>	<b>4,094</b>	<b>1,002</b>	<b>1,056</b>	<b>1,186</b>	<b>13,020</b>	<b>12,870</b>	<b>12,544</b>
Scope 3	8,287	8,473	7,841	2,548	2,580	2,372	4,702	3,887	4,608	15,537	14,940	14,821
<b>Total Scope 1, 2 &amp; 3</b>	<b>16,079</b>	<b>16,081</b>		<b>6,774</b>	<b>6,786</b>		<b>5,704</b>	<b>4,943</b>		<b>28,557</b>	<b>27,810</b>	

(1) Base Year for Scope 1 and 2 is 2010 and for Scope 3 is 2012

## Note 4 — CO<sub>2</sub>e Intensity by Business Unit G4-EN18

CO <sub>2</sub> e Intensity by Business Unit												
Global CO <sub>2</sub> e ('000 tonnes/\$M Revenue)	U.S. Domestic Package			International Package			Global Supply Chain & Freight			Totals		
	2015	2014	Base Year <sup>(1)</sup>	2015	2014	Base Year <sup>(1)</sup>	2015	2014	Base Year <sup>(1)</sup>	2015	2014	Base Year <sup>(1)</sup>
Revenue in millions	\$36,747	\$35,851	\$29,742	\$12,149	\$12,988	\$11,133	\$9,467	\$9,393	\$8,670	\$58,363	\$58,232	\$49,545
Scope 1	0.196	0.194	0.223	0.342	0.319	0.361	0.091	0.096	0.120	0.209	0.206	0.236
Scope 2	0.016	0.018	0.021	0.006	0.005	0.007	0.015	0.016	0.017	0.014	0.015	0.017
<b>Total Scope 1 &amp; 2</b>	<b>0.212</b>	<b>0.212</b>	<b>0.244</b>	<b>0.348</b>	<b>0.324</b>	<b>0.368</b>	<b>0.106</b>	<b>0.112</b>	<b>0.137</b>	<b>0.223</b>	<b>0.221</b>	<b>0.253</b>
Scope 3	0.226	0.236		0.210	0.199		0.496	0.414		0.266	0.257	
<b>Total Scope 1, 2 &amp; 3</b>	<b>0.438</b>	<b>0.448</b>		<b>0.558</b>	<b>0.523</b>		<b>0.602</b>	<b>0.526</b>		<b>0.489</b>	<b>0.478</b>	

(1) Base Year for Scope 1 and 2 is 2010.



# Statement of GHG Emissions

for the years ended December 31, 2015 and 2014

## Note 5 — Scope 1 and Scope 2 Emissions by Source

Emissions by Source				
Global CO <sub>2</sub> e Emissions ('000 tonnes)	2015	2015 Percent to Total	2014	Base Year <sup>(1)</sup>
<b>Mobile</b>				
Jet-A	7,385	56.7%	7,195	6,948
Diesel	3,345	25.7%	3,592	3,965
Gasoline	823	6.3%	754	510
CNG	43	0.3%	11	12
Propane/LPG	70	0.5%	43	37
LNG	297	2.3%	142	0.4
HFCs (fugitive)	7	0.1%	6	6.6
<b>Total</b>	<b>11,970</b>	<b>91.9%</b>	<b>11,743</b>	<b>11,480</b>
<b>Stationary</b>				
Natural Gas	221	1.7%	240	208
Heating Oil	5	0.0%	6	12
Propane	9	0.1%	10	13
Electricity	814	6.3%	870	831
<b>Total</b>	<b>1,049</b>	<b>8.1%</b>	<b>1,126</b>	<b>1,064</b>
<b>Total Mobile and Stationary</b>	<b>13,020</b>		<b>12,870</b>	<b>12,544</b>

(1) Base Year for Scope 1 and 2 is 2010

# Statement of GHG Emissions

for the years ended December 31, 2015 and 2014

## Note 6 — Emissions by Greenhouse Gas Scope and Type

Emissions by Greenhouse Gas Scope and Type in Metric Tonnes of CO <sub>2</sub> e and by GHG												
Global Emissions (‘000 tonnes)		Scope 1			Scope 2			Scope 3			Totals	
		2015	2014	Base Year <sup>(1)</sup>	2015	2014	Base Year <sup>(1)</sup>	2015	2014	Base Year <sup>(1)</sup>	2015	2014
Carbon Dioxide	(CO <sub>2</sub> )	12,072	11,899	11,620	810	866	827	15,449	14,866	14,735	28,330	27,631
Methane	(CO <sub>2</sub> e)	21	10	5	0.4	0.4	0.4	8	7	8	29	17.4
	(CH <sub>4</sub> )	1.02	0.46	0.24	0.02	0.02	0.02	0.36	0.34	0.38	1.40	0.82
Nitrous Oxide	(CO <sub>2</sub> e)	106	84	81	4	4	4	81	67	79	190	155
	(N <sub>2</sub> O)	0.34	0.27	0.26	0.01	0.01	0.01	0.26	0.22	0.25	0.61	0.50
HFCs	(CO <sub>2</sub> e)	6.8	6.3	6.6	0	0	0	0	0	0	6.8	6.3
	(HFCs)	0.005	0.01	0.01	0	0	0	0	0	0	0.005	0.01

(1) Base Year for Scope 1 and 2 is 2010 and for Scope 3 is 2012

# Statement of GHG Emissions

for the years ended December 31, 2015 and 2014

## Note 7 — Scope 3 Emissions by Category G4-EN17

Scope 3 Emissions by Category			
Global CO <sub>2</sub> e Emissions ('000 tonnes)	2015	2014	Base Year <sup>(1)</sup>
<b>Total Scope 3 Emissions</b>	<b>15,537</b>	<b>14,940</b>	<b>14,821</b>
<b>UPSTREAM</b>			
<b>1 Purchased Goods &amp; Services</b>	<b>2,533</b>	<b>2,861</b>	<b>2,784</b>
<b>2 Capital Goods</b>	<b>1,746</b>	<b>1,680</b>	<b>1,512</b>
<b>3 Fuel &amp; Energy Related (not incl. Scope 1 &amp; 2)</b>	<b>3,219</b>	<b>3,161</b>	<b>3,032</b>
Jet-A (well to pump)	1,917	1,867	1,870
Diesel (well to pump)	760	817	838
Gasoline (well to pump)	270	250	180
CNG (well to pump)	12	3	3
Propane/LPG (well to pump)	9	6	5
LNG (well to pump)	74	45	1
Biomass (well to pump)	63	54	35
Natural Gas, Heating Oil, Propane (stationary)	55	60	42
Electricity (T&D losses/generation of)	59	60	57
<b>4 Transportation &amp; Distribution</b>	<b>6,081</b>	<b>5,300</b>	<b>5,669</b>
Subcontracted Air	3,811	2,929	3,606
Subcontracted Ground	1,441	1,433	1,140
Subcontracted Rail	368	376	375
Subcontracted Ocean	461	562	547
<b>5 Waste Generated in Operations</b>	<b>19</b>	<b>17</b>	<b>15</b>
Landfilled, Incinerated, Recovery, Recycled	19	17	15
<b>6 Business Travel</b>	<b>80</b>	<b>80</b>	<b>82</b>
Business travel — Air/Rail/Car	80	80	82
<b>7 Employee Commuting</b>	<b>1,799</b>	<b>1,781</b>	<b>1,668</b>
U.S. Domestic Package	1,342	1,331	1,231
International Package	332	326	314
Global Supply Chain & Freight	125	124	123
<b>8 Leased Assets</b>	<b>Not Relevant</b>	<b>Not Relevant</b>	<b>Not Relevant</b>



# Statement of GHG Emissions

for the years ended December 31, 2015 and 2014

<b>Scope 3 Emissions by Category</b>			
<b>Global CO<sub>2</sub>e Emissions ('000 tonnes)</b>	<b>2015</b>	<b>2014</b>	<b>Base Year<sup>(1)</sup></b>
<b>DOWNSTREAM</b>			
<b>9 Transportation &amp; Distribution</b>	<b>Not Relevant</b>	<b>Not Relevant</b>	<b>Not Relevant</b>
<b>10 Processing of Sold Products</b>	<b>Not Relevant</b>	<b>Not Relevant</b>	<b>Not Relevant</b>
<b>11 Use of Sold Products</b>	<b>Not Relevant</b>	<b>Not Relevant</b>	<b>Not Relevant</b>
<b>12 End-of-Life Treatment of Sold Products</b>	<b>9</b>	<b>7</b>	<b>6</b>
Landfilled/Recycled	9	7	6
<b>13 Leased Assets</b>	<b>Not Relevant</b>	<b>Not Relevant</b>	<b>Not Relevant</b>
<b>14 Franchises</b>	<b>51</b>	<b>53</b>	<b>54</b>
The UPS Store® — Electricity/Natural Gas	51	53	54
<b>15 Investments</b>	<b>Not Relevant</b>	<b>Not Relevant</b>	<b>Not Relevant</b>

(1) Base Year for Scope 3 is 2012

# Statement of GHG Emissions

for the years ended December 31, 2015 and 2014

## Note 8 — Operational Boundary — Detailed Description Scope 1 & 2 <sup>(1)</sup>

Source	Scope	U.S. Package Operations	International Package Operations	Global Supply Chain & Freight
Jet-A (mobile)	1	All jet fuel used for UPS-owned aircraft (U.S. flights)	All jet fuel used for UPS-owned aircraft (International flights)	N/A — All Supply Chain & Freight moved on UPS-owned aircraft is captured in package operations (U.S. and International)
Diesel & Gasoline (mobile)	1	All diesel & gasoline used in UPS-owned/leased vehicles to transport, pick up, and deliver small packages	<ul style="list-style-type: none"> <li>• Diesel &amp; gasoline used in UPS-owned/leased vehicles to transport, pick up, and deliver small packages</li> <li>• Gasoline used for company-leased cars used by employees in Europe and Asia</li> </ul>	<ul style="list-style-type: none"> <li>• Diesel &amp; gasoline used in UPS-owned/leased vehicles to transport, pick up, and deliver freight or packages</li> <li>• Gasoline for company-leased cars used by employees in U.S., Canada, Europe, and Asia</li> </ul>
CNG (mobile)	1	All compressed natural gas used in UPS-owned vehicles to transport, pick up, and deliver small packages	All compressed natural gas used in UPS-owned vehicles to transport, pick up, and deliver small packages	N/A — Fuel type is not a source of emissions from this business unit
Propane/LPG (mobile)	1	All propane fuel used in UPS-owned vehicles to transport, pick up, and deliver small packages	All propane fuel used in UPS-owned vehicles to transport, pick up, and deliver small packages	N/A — Fuel type is not a source of emissions from this business unit
LNG (mobile)	1	All liquefied natural gas used in UPS-owned vehicles to transport, pick up, and deliver small packages	N/A — Fuel type is not a source of emissions from this business unit	N/A — Fuel type is not a source of emissions from this business unit
Natural Gas, Heating Oil, Propane (stationary)	1	Natural gas, propane, and heating oil for facilities we own or lease	Natural gas, propane, and heating oil for facilities we own or lease	Natural gas, propane, and heating oil for facilities we own or lease
HFCs	1	Fugitive emissions from vehicle A/C systems	Fugitive emissions from vehicle A/C systems	Fugitive emissions from vehicle A/C systems
Electricity (stationary)	2	Electricity usage for facilities we own or lease	Electricity usage for facilities we own or lease	Electricity usage for facilities we own or lease

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

# Statement of GHG Emissions

for the years ended December 31, 2015 and 2014

## Note 9 — Operational Boundary — Detailed Description Scope 3

Scope and Category	Emissions Included/Excluded (UPS Scope & Boundary)	Description of Methodology	% Emissions Calculated Using Data Obtained From Value Chain Partners
<b>Upstream Scope 3 Emissions</b>			
1	Purchased Goods & Services	The upstream extraction, production, and transportation of goods and services purchased by all UPS operations, not otherwise included in Categories 2-8.  Exclusions: None	Economic input-output life cycle assessment (EIO-LCA) model  0%
2	Capital Goods	The upstream extraction, production, and transportation of capital expenditures purchased by all UPS operations includes: buildings, aircraft, vehicles, and information technology.  Exclusions: None	Economic input-output life cycle assessment (EIO-LCA) model  0%
3	Fuel & Energy-Related activities Not Included in Scope 1 or 2	Includes the upstream (well-to-pump) emissions from raw material extraction up to the point of (but excluding) combustion for the following global fuel sources: Jet-A, Diesel, Gasoline, CNG, LPG, LNG, natural gas, heating oil, and propane.  Includes the upstream emissions for the transmission and distribution losses of purchased electricity.  Exclusions: None	The same primary data that is used to calculate the Scope 1 and 2 emissions for all energy usage is used to calculate the upstream emissions; the actual quantity of energy consumed is multiplied by the appropriate life cycle emission factor.  100%



# Statement of GHG Emissions

for the years ended December 31, 2015 and 2014

Scope and Category	Emissions Included/Excluded (UPS Scope & Boundary)	Description of Methodology	% Emissions Calculated Using Data Obtained From Value Chain Partners
4 Transportation & Distribution (Upstream)	<p>The emissions from purchased transportation (air, ground, rail, and ocean) for the pick up, transportation, and delivery of packages/freight for our global operations includes emissions associated with:</p> <p><u>U.S. Package Operations</u></p> <ul style="list-style-type: none"> <li>• Packages moved by third parties via aircraft, rail, and tractor-trailer</li> <li>• Last-mile delivery of packages by the U.S. Postal Service</li> </ul> <p><u>International Package Operations</u></p> <ul style="list-style-type: none"> <li>• Packages moved by third parties via aircraft and tractor-trailers</li> <li>• Last-mile delivery of packages by the use of Agents and Outside Service Providers (OSPs)</li> <li>• Packages transported across the U.K. Channel by third parties via railroad or ferry</li> <li>• Packages transported by rail in Canada</li> </ul> <p><u>Global Supply Chain &amp; Freight</u></p> <ul style="list-style-type: none"> <li>• UPS Supply Chain Solutions®: transportation, pick up, and delivery for freight/packages by other third parties via aircraft, rail, tractor-trailers, and ocean</li> <li>• UPS Freight® Operations: transportation, pick up, and delivery for freight in the U.S. and Canada via various modes of transport which include tractor-trailers, railroads, and ocean transport of freight, typically to Hawaii, Puerto Rico, Guam, and Alaska</li> </ul> <p>Exclusions: Does not include Scope 2 emissions from third-party transportation companies. Does not include any optional Life Cycle Assessment (LCA) emissions. Source has been excluded due to lack of means to measure emission source.</p>	The primary method used to calculate the upstream emissions from purchased transportation is to multiply the actual weight and distance traveled for each shipment by the appropriate emission factor from the GHG Protocol.	35%
5 Waste Generated In Operations	<p>Includes the emissions that occur for landfilled, incinerated, recovery, and recycled wastes streams in the U.S.</p> <p>Exclusions: Emissions associated with wastes generated in operations outside of the U.S. Does not include any optional LCA emissions. Source has been excluded due to lack of means to measure emission source.</p>	Methodology used is actual waste disposed by waste stream multiplied by the appropriate LCA Emission factor.	100%
6 Business Travel	<p>Includes the emissions that occur from air and rail travel, rental cars, and the use of personnel vehicles for business-related activities for our global operations.</p> <p>Exclusions: Does not include any optional life cycle emissions from hotel stays. Source has been excluded due to lack of means to measure emission source.</p>	Travel agent provides a detailed breakdown of GHG emissions based upon actual travel activity.	100%

# Statement of GHG Emissions

for the years ended December 31, 2015 and 2014

Scope and Category	Emissions Included/Excluded (UPS Scope & Boundary)	Description of Methodology	% Emissions Calculated Using Data Obtained From Value Chain Partners
7 Employee Commuting	<p>Includes the emissions that occur for the transportation of our employees between their homes and their workplace for our global operations.</p> <p>Exclusions: Does not include any optional emissions from employee teleworking. Source has been excluded due to lack of means to measure emission source.</p>	Actual number of employees multiplied by average gallons used per employee (UPS calculated this factor) multiplied by the emission factor for gasoline (8.81 kg CO <sub>2</sub> per gallon). The UPS factor for estimated gallons per employee was created by combining a host of information from the U.S. Census data, Department of Transportation, the Federal Highway Administration, and other sources.	0%
8 Upstream Leased Assets	Not Relevant — We do not report on this category since the category as described by the WRI Guidelines is not applicable to our business because upstream leased assets are included in our Scope 1 and 2 emissions.	Not Relevant	Not Relevant
<b>Downstream Scope 3 Emissions</b>			
9 Transportation & Distribution	Not Relevant — We do not report on this category since the category as described by the WRI Guidelines is not applicable to our business because UPS does not offer a sold product. For our sold service, emissions from non-UPS vehicles are reported in category 4 because they are purchased directly by UPS.	Not Relevant	Not Relevant
10 Processing of Sold Products	Not Relevant — We do not report on this category since the category as described by the WRI Guidelines is not applicable to our business because UPS does not offer an intermediate sold product.	Not Relevant	Not Relevant
11 Use of Sold Products	Not Relevant — We do not report on this category since the category as described by the WRI Guidelines is not applicable to our business because UPS does not offer an intermediate sold product.	Not Relevant	Not Relevant
12 End-of-Life Treatment of Sold Products	<p>Includes the global emissions that occur for landfilled and recycled waste from UPS-branded packaging materials sold to customers.</p> <p>Exclusions: None</p>	Number of pounds of purchased UPS-branded packaging multiplied by the appropriate LCA Emission factor	100%
13 Downstream Leased Assets	Not Relevant — We do not report on this category since the category as described by the WRI Guidelines is not relevant because UPS does not have any significant downstream leased assets.	Not Relevant	Not Relevant

# Statement of GHG Emissions

for the years ended December 31, 2015 and 2014

Scope and Category	Emissions Included/Excluded (UPS Scope & Boundary)	Description of Methodology	% Emissions Calculated Using Data Obtained From Value Chain Partners
14 Franchises	<p>Estimated electricity and natural gas usage for over 4,900 The UPS Store® locations serving the U.S. and Canada.</p> <p>Exclusions: Does not include any optional LCA emissions. Source has been excluded due to lack of means to measure emission source.</p>	<p>Using square footage of The UPS Store franchises multiplied by an average energy emission factor established by the EPA Energy Star Program</p>	0%
15 Investments	<p>Not Relevant — We do not report on this category since the category as described by the WRI Guidelines is not relevant because UPS does not have any significant investments that fit this category.</p>	Not Relevant	Not Relevant



# Independent Accountants' Examination Report

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

We have examined the accompanying Statement of Greenhouse Gas (GHG) Emissions ("Statement of GHG Emissions") of United Parcel Service, Inc. (the "Company") for the years ended December 31, 2015 and 2014, and the 2010 base year for Scope 1 and 2 greenhouse gas emissions and the 2012 base year for Scope 3 greenhouse gas emissions. The Company's management is responsible for the Statement of GHG Emissions. Our responsibility is to express an opinion based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included obtaining an understanding of the nature of the Company's greenhouse gas emissions and its internal control over greenhouse gas emissions information, examining, on a test basis, evidence supporting the Company's Statement of GHG Emissions and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

As described in Note 1, environmental and energy use data are subject to measurement uncertainties resulting from limitations inherent in the nature and the methods used for determining such data. The selection of different but acceptable measurement techniques can result in materially different measurements. The precision of different measurement techniques may also vary.

In our opinion, the Statement of GHG Emissions of the Company for the years ended December 31, 2015 and 2014, and the 2010 base year for Scope 1 and 2 greenhouse gas emissions, and the 2012 base year for Scope 3 greenhouse gas emissions is presented, in all material respects, in conformity with the Greenhouse Gas Protocol Corporate Accounting and Reporting Standard (Scope 1 and 2) and the Corporate Value Chain (Scope 3) Accounting and Reporting Standard published by the World Business

Council for Sustainable Development and the World Resources Institute (collectively, the "GHG Protocol").

*Deloitte & Touche LLP*

June 29, 2016

# Initiatives to Reduce Greenhouse Gas Emissions

G4-EN19

## 2015 Carbon Intensity Emissions Reductions from Base Year (2010)

<b>Emissions Reduction Description: The following three metrics are the components of the UPS Transportation Intensity Index</b>	<b>Absolute CO2e Emissions Avoided 2015 vs 2010 (metric tonnes)</b>	<b>2015 CO2e Intensity</b>	<b>2010 CO2e Intensity</b>	<b>Comments</b>
U.S. Domestic Package: Absolute CO2e Avoided (Ground operations only)  See "Ground Fleet Efficiencies," page 78 for more details on contributing factors and initiatives.	586,000 <sup>(1)</sup>	2.36	2.68	1) CO2e Intensity factor expressed in lbs. CO2e per Package  2) Scope is U.S. Domestic Package ground movements  3) Avoided Absolute CO2e = (2010 CO2e Intensity x 2015 # of packages) – (2015 CO2e Intensity x 2015 # of packages)
Global UPS Airlines: Absolute CO2e Avoided  See "Air Fleet Efficiencies," page 82 for more details on contributing factors and initiatives.	27,000 <sup>(1)</sup>	1.40	1.40	1) CO2e Intensity factor expressed in lbs CO2e per Package  2) Scope is UPS Airlines – Global Operations  3) Avoided Absolute CO2e = (2010 CO2e Intensity x 2015 ATM) – (2015 CO2e Intensity x 2015 ATM)
U.S. Supply Chain & Freight: Absolute CO2e Avoided  See "Ground Fleet Efficiencies," page 78 for more details on contributing factors and initiatives.	229,000 <sup>(1)</sup>	0.19	0.24	1) CO2e Intensity factor expressed in lbs CO2e per lb. of freight  2) Scope is UPS Freight® LTL ground movements  3) Avoided Absolute CO2e = (2010 CO2e Intensity x 2015 lbs. of freight) – (2015 CO2e Intensity x 2015 lbs. of freight)
<b>Total</b>	<b>842,000 metric tonnes</b>			

(1) Absolute CO2e emissions avoided in 2015 are estimated from the Transportation Intensity Index improvements from 2010 to 2015

## 2015 Intermodal Shift Emissions Reductions

<b>Emissions Reduction Description</b>	<b>Absolute CO2e Emissions Avoided in 2015 (metric tonnes)</b>	<b>Total Absolute CO2e Emissions Avoided Since 2010 (metric tonnes)</b>
Air to Ground Mode Shift (U.S. Package Operations)	2,297,000 <sup>(2)</sup>	13,289,000
Ground to Rail Mode Shift (U.S. Package Operations) see GHG Reduction Strategy, page 74 for more details	912,000 <sup>(2)</sup>	5,240,000
<b>Total</b>	<b>3,209,000</b>	<b>18,529,000</b>

(2) Absolute CO2e emissions avoided in 2015, due to intermodal shifts that occur in U.S. Domestic Package.

# Energy Performance

G4-EN3

Energy Consumption Within the Organization				
Global Energy ('000 GJs)	2015	2014	% Change 15/14	Base Year (2010)
Direct Energy	173,665	170,894	1.6%	165,728
Indirect Energy	5,861	5,878	-0.3%	5,745
<b>Total Energy</b>	<b>179,526</b>	<b>176,772</b>	<b>1.6%</b>	<b>171,473</b>

Energy Consumption Within the Organization by Source				
Global Energy ('000 GJs)	2015	Percent to Total Emissions 2015	2014	Base Year (2010)
<b>Direct Energy</b>				
Jet-A	104,279	60.1%	101,597	98,117
Diesel	46,240	26.6%	49,659	54,814
Gasoline	12,096	7.0%	11,101	7,410
CNG	751	0.4%	201	224
Propane/LPG	1,101	0.6%	676	625
LNG	3,109	1.8%	2,672	9
Renewable Fuel (Biomass)	1,507	0.9%	0	0
Natural Gas	4,365	2.5%	4,751	4,124
Heating Oil	72	0.0%	80	185
Propane	145	0.1%	157	220
<b>Direct Energy Total</b>	<b>173,665</b>	<b>100%</b>	<b>170,894</b>	<b>165,728</b>
<b>Indirect Energy</b>				
Electricity	5,850	99.8%	5,867	5,745
Renewable Electricity	11	0.2%	11	0
<b>Indirect Energy Total</b>	<b>5,861</b>	<b>100.0%</b>	<b>5,878</b>	<b>5,745</b>



# Energy Performance

G4-EN3

G4-EN5

## Energy Consumption Within the Organization by Business Unit

	U.S. Domestic Package			International Package			Global Supply Chain & Freight			Totals		
	2015	2014	Base Year (2010)	2015	2014	Base Year (2010)	2015	2014	Base Year (2010)	2015	2014	Base Year (2010)
Global Energy ('000 GJs)												
Direct Energy	102,865	99,614	94,165	58,757	58,536	56,907	12,044	12,744	14,656	173,665	170,894	165,728
Indirect Energy	4,231	4,247	4,103	549	548	597	1,081	1,083	1,045	5,861	5,878	5,745
<b>Total Energy</b>	<b>107,096</b>	<b>103,861</b>	<b>98,268</b>	<b>59,306</b>	<b>59,083</b>	<b>57,504</b>	<b>13,124</b>	<b>13,827</b>	<b>15,701</b>	<b>179,526</b>	<b>176,772</b>	<b>171,473</b>

## Energy Intensity Within the Organization by Business Unit

	U.S. Domestic Package			International Package			Global Supply Chain & Freight			Totals		
	2015	2014	Base Year (2010)	2015	2014	Base Year (2010)	2015	2014	Base Year (2010)	2015	2014	Base Year (2010)
Global Energy ('000 GJs/\$M Revenue)												
Revenue in Millions	\$36,747	\$35,851	\$29,742	\$12,149	\$12,988	\$11,133	\$9,467	\$9,393	\$8,670	\$58,363	\$58,232	\$49,545
Direct Energy	2.799	2.779	3.166	4.836	4.507	5.112	1.272	1.357	1.690	2.976	2.935	3.345
Indirect Energy	0.115	0.118	0.138	0.045	0.042	0.054	0.114	0.115	0.121	0.100	0.101	0.116
<b>Total Energy</b>	<b>2.914</b>	<b>2.897</b>	<b>3.304</b>	<b>4.882</b>	<b>4.549</b>	<b>5.165</b>	<b>1.386</b>	<b>1.472</b>	<b>1.811</b>	<b>3.076</b>	<b>3.036</b>	<b>3.461</b>

# Energy Performance

G4-EN4

Energy Consumption Outside the Organization				
Global Energy ('000 GJs)	2015	2014	% Change 15/14	Base Year (2010)
<b>UPSTREAM</b>				
1. Purchased Goods & Services	Not Reported	Not Reported		Not Reported
2. Capital Goods	Not Reported	Not Reported		Not Reported
3. Fuel & Energy-Related (not incl. Scope 1&2)	Not Reported	Not Reported		Not Reported
4. Transportation & Distribution	85,800	74,604	15.0%	80,004
5. Waste Generated in Operations	Not Relevant	Not Relevant		Not Relevant
6. Business Travel	1,144	1,148	-0.4%	1,166
7. Employee Commuting	26,588	26,323	1.0%	24,651
8. Leased Assets	Not Relevant	Not Relevant		Not Relevant
<b>DOWNSTREAM</b>				
9. Transportation & Distribution	Not Relevant	Not Relevant		Not Relevant
10. Processing of Sold Products	Not Relevant	Not Relevant		Not Relevant
11. Use of Sold Products	Not Relevant	Not Relevant		Not Relevant
12. End-of-Life Treatment of Sold Products	Not Relevant	Not Relevant		Not Relevant
13. Leased Assets	Not Relevant	Not Relevant		Not Relevant
14. Franchises	356	370	-3.8%	374
15. Investments	Not Relevant	Not Relevant		Not Relevant
<b>Total Energy Consumption Outside the Organization</b>	<b>113,888</b>	<b>102,445</b>	<b>11.2%</b>	<b>106,195</b>

# Energy Performance

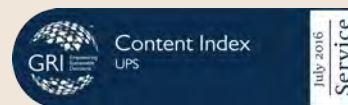
G4-EN6 G4-EN7

Reduction of Energy Consumption				
Energy Saved Due to Conservation and Efficiency Improvements	Absolute Energy Avoided 2015 vs 2010 (gigajoules) <sup>(1)</sup>	2015 Energy Intensity	2010 Energy Intensity	Comments
<p><b>U.S. Domestic Package: Absolute Energy Avoided</b></p> <p><b>Contributing factors/initiatives:</b> Implementation of telematics, improved vehicle routing, conducting proactive maintenance on our vehicles, shifting travel to low-emission vehicles. See "Ground Fleet Efficiencies," page 78 for more details.</p>	10,236,020 <sup>(1)</sup>	26.65	29.23	1) Energy Intensity factor expressed in gigajoules per 1,000 Packages 2) Scope is U.S. Domestic Package Operations 3) Includes all direct and indirect energy usage for this specific business segment 4) Avoided Absolute Energy = (2010 Energy Intensity x 2015 # of packages) – (2015 Energy Intensity x 2015 # of packages)
<p><b>International Package: Absolute Energy Avoided</b></p> <p><b>Contributing factors/initiatives:</b> Miscellaneous initiatives in our airline, including lower flight speeds, computer-optimized flight plans, single-engine taxi. See "Air Fleet Efficiencies," pages 82-83, for more details.</p>	9,477,233 <sup>(1)</sup>	85.65	99.34	1) Energy Intensity factor expressed in gigajoules per 1,000 packages 2) Scope is International Package Operations 3) Includes all direct and indirect energy usage for this specific business segment 4) Avoided Absolute Energy = (2010 Energy Intensity x 2015 # of packages) – (2015 Energy Intensity x 2015 # of packages)
<p><b>Global Supply Chain &amp; Freight: Absolute Energy Avoided</b></p> <p><b>Contributing factors/initiatives:</b> Implementation of telematics, improved dispatching of drivers, consolidation of shipments, loading efficiency in ways that keep miles driven to a minimum.</p>	3,130,114 <sup>(1)</sup>	1.21	1.50	1) Energy Intensity factor expressed in gigajoules per 1,000 lbs. of freight hauled 2) Scope is Global Supply Chain & Freight Operations 3) Includes all direct and indirect energy usage for this specific business segment 4) Avoided Absolute Energy = (2010 Energy Intensity x 2015 lbs. of freight) – (2015 Energy Intensity x 2015 lbs. of freight)
<b>Total</b>	<b>22,843,367</b>	<b>gigajoules</b>		

<sup>(1)</sup> Absolute energy avoided in 2015 was estimated from the energy intensity factor improvements from 2010 (baseline year) to 2015.



# GRI G4 Content Index



5.1 General Standard Disclosures				
General Standard Disclosures	Page	Omissions	External Assurance	Description
<b>Strategy and Analysis</b>				
G4-1	3	—	Yes, page 96	Provide a statement from the most senior decision-maker of the organization.
G4-2	10, 16, 50, 51; 2015 Annual Report — Form 10-K, Item 1A Risk Factors, pages 15-19, <a href="http://nasdaqomx.mobular.net/nasdaqomx/7/3491/4988/">http://nasdaqomx.mobular.net/nasdaqomx/7/3491/4988/</a>	—	Yes, page 96	Provide a description of key impacts, risks, and opportunities.
<b>Organizational Profile</b>				
G4-3	1	—	Yes, page 96	Report the name of the organization.
G4-4	8	—	Yes, page 96	Report the primary brands, products, and services.
G4-5	Atlanta, GA	—	Yes, page 96	Report the location of the organization's headquarters.
G4-6	9	—	Yes, page 96	Report the number of countries where the organization operates.
G4-7	Publicly traded company	—	Yes, page 96	Report the nature of ownership and legal form.
G4-8	8, 9	—	Yes, page 96	Report the markets served (including geographic breakdown, sectors served, and types of customers and beneficiaries).
G4-9	9, 24, 51	—	Yes, page 96	Report the scale of the organization.
G4-10	24, 33	—	Yes, page 96	Breakdown of Employee Type.
G4-11	44	—	Yes, page 96	Report the percentage of total employees covered by collective bargaining agreements.
G4-12	58	—	Yes, page 96	Describe the organization's supply chain.
G4-13	50	—	Yes, page 96	Report any significant changes during the reporting period regarding the organization's size, structure, ownership, or its supply chain.
G4-14	<a href="https://sustainability.ups.com/resources/corporate-governance/">https://sustainability.ups.com/resources/corporate-governance/</a>	—	Yes, page 96	Report whether and how the precautionary approach or principle is addressed by the organization.

# GRI G4 Content Index

5.1 General Standard Disclosures				
General Standard Disclosures	Page	Omissions	External Assurance	Description
G4-15	<p>Examples of major external initiatives we engage in — other than those aforementioned in this Report — include the following:</p> <ul style="list-style-type: none"> <li>• The World Resources Institute’s Greenhouse Gas Protocol</li> <li>• CDP’s climate change program</li> <li>• The President’s Export Council, a nonpartisan body that serves as the United States’ advisory committee on international trade</li> <li>• The Business Roundtable, an association of CEOs promoting public policy in support of a thriving economy</li> </ul>	—	Yes, page 96	List externally developed economic, environmental and social charters, principles, or other initiatives to which the organization subscribes or which it endorses.
G4-16	<ul style="list-style-type: none"> <li>• Green Freight Europe and Green Freight Asia, transportation associations that are addressing the climate impact of shipping</li> <li>• The North American Council for Freight Efficiency, an association committed to doubling the efficiency of North American goods movement</li> <li>• The Interstate Clean Transportation Corridor program, a public-private partnership to establish natural gas infrastructure for transportation</li> <li>• The National Clean Fleets Partnership, as part of the U.S. Department of Energy’s Clean Cities program, which works with large private fleets to reduce the use of petroleum-based fuels</li> <li>• The International Air Transport Association’s Air Cargo Carbon Footprint initiative</li> </ul>	—	Yes, page 96	List memberships of associations (such as industry associations) and national or international advocacy organizations.
Identified Material Aspects and Boundaries				
G4-17	50	—	Yes, page 96	List all entities included in the organization’s consolidated financial statements or equivalent documents.

# GRI G4 Content Index

5.1 General Standard Disclosures				
General Standard Disclosures	Page	Omissions	External Assurance	Description
G4-18	An overview of our materiality assessment process is available at <a href="https://sustainability.ups.com/media/materialitymatrix_WIP.pdf">https://sustainability.ups.com/media/materialitymatrix_WIP.pdf</a> , pages 1-4	—	Yes, page 96	Explain the process for defining the report content and the Aspect Boundaries.
G4-19	15	—	Yes, page 96	List all the material Aspects identified in the process for defining report content.
G4-20	15	—	Yes, page 96	For each material Aspect, report the Aspect Boundary within the organization. Report whether the Aspect is material within the organization.
G4-21	15	—	Yes, page 96	For each material Aspect, report the Aspect Boundary outside the organization.
G4-22	We have made no material restatements of information provided in previous Reports.	—	Yes, page 96	Report the effect of any restatements of information provided in previous reports, and the reasons for such restatements.
G4-23	There have been no specific changes in the scope and aspect boundaries.	—	Yes, page 96	Report significant changes from previous reporting periods in the Scope and Aspect Boundaries.
Stakeholder Engagement				
G4-24	18	—	Yes, page 96	Provide a list of stakeholder groups engaged by the organization.
G4-25	18	—	Yes, page 96	Report the basis for identification and selection of stakeholders with whom to engage.
G4-26	18	—	Yes, page 96	Report the organization's approach to stakeholder engagement.
G4-27	18	—	Yes, page 96	Report key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns.
Report Profile				
G4-28	95	—	Yes, page 96	Reporting period for information provided.
G4-29	95	—	Yes, page 96	Date of most recent previous report.
G4-30	95	—	Yes, page 96	Reporting cycle.

# GRI G4 Content Index

5.1 General Standard Disclosures				
General Standard Disclosures	Page	Omissions	External Assurance	Description
G4-31	95	—	Yes, page 96	Provide the contact point for questions regarding the report or its contents.
G4-32	95	—	Yes, page 96	Report the 'in accordance' option the organization has chosen.
G4-33	95	—	Yes, page 96	Report the organization's policy and current practice with regard to seeking external assurance for the report.
Governance				
G4-34	<a href="https://sustainability.ups.com/resources/corporate-governance">https://sustainability.ups.com/resources/corporate-governance</a>	—	Yes, page 96	Report the governance structure of the organization, including committees of the highest governance body.
G4-35	20, <a href="https://sustainability.ups.com/resources/corporate-governance">https://sustainability.ups.com/resources/corporate-governance</a>	—	Yes, page 96	Report the process for delegating authority for economic, environmental, and social topics from the highest governance body to senior executives and other employees.
G4-36	20, <a href="https://sustainability.ups.com/resources/corporate-governance">https://sustainability.ups.com/resources/corporate-governance</a>	—	Yes, page 96	Report whether the organization has appointed an executive-level position or positions with responsibility for economic, environmental, and social topics, and whether post holders report directly to the highest governance body.
G4-37	<a href="https://sustainability.ups.com/resources/corporate-governance">https://sustainability.ups.com/resources/corporate-governance</a>	—	Yes, page 96	Report processes for consultation between stakeholders and the highest governance body on economic, environmental, and social topics.
G4-38	<a href="https://sustainability.ups.com/resources/corporate-governance">https://sustainability.ups.com/resources/corporate-governance</a>	—	Yes, page 96	Report the composition of the highest governance body and its committees.
G4-39	<a href="https://sustainability.ups.com/resources/corporate-governance">https://sustainability.ups.com/resources/corporate-governance</a>	—	Yes, page 96	Report whether the Chair of the highest governance body is also an executive officer.
G4-40	<a href="https://sustainability.ups.com/resources/corporate-governance">https://sustainability.ups.com/resources/corporate-governance</a>	—	Yes, page 96	Report the nomination and selection processes for the highest governance body and its committees, and the criteria used for nominating and selecting highest governance body members.
G4-41	<a href="https://sustainability.ups.com/resources/corporate-governance">https://sustainability.ups.com/resources/corporate-governance</a>	—	Yes, page 96	Report processes for the highest governance body to ensure conflicts of interest are avoided and managed.



# GRI G4 Content Index

5.1 General Standard Disclosures				
General Standard Disclosures	Page	Omissions	External Assurance	Description
G4-42	<a href="https://sustainability.ups.com/resources/corporate-governance">https://sustainability.ups.com/resources/corporate-governance</a>	—	Yes, page 96	Report the highest governance body's and senior executives' roles in the development, approval, and updating of the organization's purpose, value or mission statements, strategies, policies, and goals related to economic, environmental, and social impacts.
G4-43	<a href="https://sustainability.ups.com/resources/corporate-governance">https://sustainability.ups.com/resources/corporate-governance</a>	—	Yes, page 96	Report the measures taken to develop and enhance the highest governance body's collective knowledge of economic, environmental, and social topics.
G4-44	<a href="https://sustainability.ups.com/resources/corporate-governance">https://sustainability.ups.com/resources/corporate-governance</a>	—	Yes, page 96	Report the processes for evaluation of the highest governance body's performance with respect to governance of economic, environmental, and social topics.
G4-45	20, <a href="https://sustainability.ups.com/resources/corporate-governance">https://sustainability.ups.com/resources/corporate-governance</a>	—	Yes, page 96	Report the highest governance body's role in the identification and management of economic, environmental and social impacts, risks, and opportunities.
G4-46	<a href="https://sustainability.ups.com/resources/corporate-governance">https://sustainability.ups.com/resources/corporate-governance</a>	—	Yes, page 96	Report the highest governance body's role in reviewing the effectiveness of the organization's risk management processes for economic, environmental, and social topics.
G4-47	<a href="https://sustainability.ups.com/resources/corporate-governance">https://sustainability.ups.com/resources/corporate-governance</a>	—	Yes, page 96	Report the frequency of the highest governance body's review of economic, environmental and social impacts, risks, and opportunities.
G4-48	<a href="https://sustainability.ups.com/resources/corporate-governance">https://sustainability.ups.com/resources/corporate-governance</a>	—	Yes, page 96	Report the highest committee or position that formally reviews and approves the organization's sustainability report.
G4-49	<a href="https://sustainability.ups.com/resources/corporate-governance">https://sustainability.ups.com/resources/corporate-governance</a>	—	Yes, page 96	Report the process for communicating critical concerns to the highest governance body.
G4-50	<a href="https://sustainability.ups.com/resources/corporate-governance">https://sustainability.ups.com/resources/corporate-governance</a>	—	Yes, page 96	Report the nature and total number of critical concerns that were communicated to the highest governance body and the mechanism(s) used to address and resolve them.
G4-51	<a href="https://sustainability.ups.com/resources/corporate-governance">https://sustainability.ups.com/resources/corporate-governance</a>	—	Yes, page 96	Report the remuneration policies for the highest governance body and senior executives.

# GRI G4 Content Index

5.1 General Standard Disclosures				
General Standard Disclosures	Page	Omissions	External Assurance	Description
G4-52	<a href="http://sustainability.ups.com/resources/corporate-governance">http://sustainability.ups.com/resources/corporate-governance</a>	—	Yes, page 96	Report the process for determining remuneration.
G4-53	<a href="http://sustainability.ups.com/resources/corporate-governance">http://sustainability.ups.com/resources/corporate-governance</a>	—	Yes, page 96	Report how stakeholders' views are sought and taken into account regarding remuneration.
G4-54		Confidentiality constraints — UPS does not report ratios based on individual compensation or make pay decisions based on these ratios. We consider this data confidential. However, The Securities and Exchange Commission (SEC) in the United States adopted a rule to require disclosure of the ratio of Chief Executive Officer (CEO) pay to median employee pay. This disclosure will be required starting in 2017, and UPS will re-evaluate disclosure of this information in accordance with the rule.		Report the ratio of the annual total compensation for the organization's highest-paid individual in each country of significant operations to the median annual total compensation for all employees.

# GRI G4 Content Index

## 5.1 General Standard Disclosures

General Standard Disclosures	Page	Omissions	External Assurance	Description
G4-55		Confidentiality constraints — UPS does not report ratios based on individual compensation or make pay decisions based on these ratios. We consider this data confidential. However, The Securities and Exchange Commission (SEC) in the United States adopted a rule to require disclosure of the ratio of Chief Executive Officer (CEO) pay to median employee pay. This disclosure will be required starting in 2017, and UPS will re-evaluate disclosure of this information in accordance with the rule.		Report the ratio of percentage increase in annual total compensation for the organization's highest-paid individual in each country of significant operations to the median percentage increase in annual total compensation for all employees (excluding the highest-paid individual) in the same country.
<b>Ethics and Integrity</b>				
G4-56	46	—	Yes, page 96	Describe the organization's values, principles, standards, and norms of behavior such as codes of conduct and codes of ethics.
G4-57	47	—	Yes, page 96	Report the internal and external mechanisms for seeking advice on ethical and lawful behavior, and matters related to organizational integrity, such as helplines or advice lines.
G4-58	47	—	Yes, page 96	Report the internal and external mechanisms for reporting concerns about unethical or unlawful behavior, and matters related to organizational integrity, such as escalation through line management, whistleblowing mechanisms, or hotlines.

# GRI G4 Content Index

5.2 Specific Standard Disclosures				
DMA and Indicators	Page	Omissions	External Assurance	Description
<b>Category: Economic</b>				
<b>Material Aspect: Economic Performance</b>				
G4-DMA	50	—	Yes, page 96	
G4-EC1	51	—	Yes, page 96	Direct economic value generated and distributed
G4-EC2	51; UPS 2015 Annual Report — Form 10-K, Item 1A Risk Factors, page 16, <a href="http://nasdaqomx.mobular.net/nasdaqomx/7/3491/4988/">http://nasdaqomx.mobular.net/nasdaqomx/7/3491/4988/</a>	—	Yes, page 96	Financial implications and other risks and opportunities for the organization's activities due to climate change
G4-EC3	We provide detailed disclosures and discussions about our pension and postretirement plan obligations in our Annual Report, primarily in Notes 4 and 5 to the Consolidated Financial Statements beginning on page 76 of the UPS 2015 Annual Report Form 10-K.  Please see <a href="http://nasdaqomx.mobular.net/nasdaqomx/7/3491/4988/">http://nasdaqomx.mobular.net/nasdaqomx/7/3491/4988/</a>	—	Yes, page 96	Coverage of the organization's defined benefit plan obligations
G4-EC4	UPS does not receive significant financial assistance from the government. We do participate in public-private partnerships that may involve tax incentives, such as the Interstate Clean Transportation Corridor (ICTC) in the United States, or certain incentives related to our purchase of alternative fuel vehicles, but financial assistance is not the main reason we participate. Primarily, we seek to advance our own knowledge and capabilities in ways that help society develop important new transportation options and infrastructure. Achieving these two goals enables us to deliver greater benefits to our customers, investors, employees, and other stakeholders.	—	Yes, page 96	Financial assistance received from government



# GRI G4 Content Index

## 5.2 Specific Standard Disclosures

DMA and Indicators	Page	Omissions	External Assurance	Description
<b>Material Aspect: Market Presence</b>				
G4-DMA	50	—	Yes, page 96	
G4-EC5	The ratio of our standard entry-level hourly wage to local minimum wage varies from location to location around the world. This variation is necessary to comply with local conditions and with national wage minimums in countries that set them. In the United States, which represents 80 percent of our employee base, we comply with local minimum-wage laws in each state and pay no less than the local minimum wage or the federal minimum wage. We do not vary entry-level compensation by gender.	—	Yes, page 96	Ratios of the standard entry level wage by gender compared to local minimum wage at significant locations of operation
G4-EC6	Because UPS serves more than 220 countries and territories around the world, it is extremely difficult to define “local” and “significant” operations. We hire nearly all senior managers within their home country. More than 99.5 percent of full-time management employees worked in their home country in 2015. Only 233 full-time managers were expatriates, out of a total of 47,172 full-time management employees. Within the United States, most of our managers are hired from their local community as well.	—	Yes, page 96	Proportion of senior management hired from the local community at significant locations of operation
<b>Material Aspect: Indirect Economic Impacts</b>				
G4-DMA	50, 61	—	Yes, page 96	
G4-EC7	51, 61	—	Yes, page 96	Development and impact of infrastructure investments and services supported
G4-EC8	51, 61	—	Yes, page 96	Significant indirect economic impacts, including the extent of impacts

# GRI G4 Content Index

5.2 Specific Standard Disclosures				
DMA and Indicators	Page	Omissions	External Assurance	Description
<b>Material Aspect: Procurement Practices</b>				
G4-DMA	55	—	Yes, page 96	
G4-EC9	56	—	Yes, page 96	Proportion of spending on local suppliers at significant locations of operation
<b>Category: Environmental</b>				
<b>Material Aspect: Energy</b>				
G4-DMA	74	—	Yes, page 96	
G4-EN3	113, 114	—	Yes, page 96	Energy consumption within the organization
G4-EN4	115	—	Yes, page 96	Energy consumption outside the organization
G4-EN5	114	—	Yes, page 96	Energy intensity
G4-EN6	116	—	Yes, page 96	Reduction of energy consumption
G4-EN7	116	—	Yes, page 96	Reductions in energy requirements of products and services
<b>Material Aspect: Emissions</b>				
G4-DMA	74	—	Yes, page 96	
G4-EN15	97, 98	—	Yes, page 111	Direct greenhouse gas (GHG) emissions (Scope 1)
G4-EN16	97, 98	—	Yes, page 111	Energy indirect greenhouse gas (GHG) emissions (Scope 2)
G4-EN17	97, 98, 104	—	Yes, page 111	Other indirect greenhouse gas (GHG) emissions (Scope 3)
G4-EN18	101	—	Yes, page 111	Greenhouse gas (GHG) emissions intensity
G4-EN19	112	—	Yes, page 96	Reduction of greenhouse gas (GHG) emissions

# GRI G4 Content Index

## 5.2 Specific Standard Disclosures

DMA and Indicators	Page	Omissions	External Assurance	Description
G4-EN20		Not applicable — UPS does not produce, import, or export ODS.		Emissions of ozone-depleting substances (ODS)
G4-EN21	78	—	Yes, page 96	NO <sub>x</sub> , SO <sub>x</sub> , and other significant air emissions
<b>Material Aspect: Supplier Environmental Assessment</b>				
G4-DMA	55	—	Yes, page 96	
G4-EN32	55	Confidentiality constraints — UPS does not report specific numbers or percentages related to screening or impact assessments, as this information is subject to confidentiality constraints of our supplier contracts.	Yes, page 96	Percent of new suppliers that were screened using environmental criteria
G4-EN33	55	Confidentiality constraints — UPS does not report specific numbers or percentages related to screening or impact assessments, as this information is subject to confidentiality constraints of our supplier contracts.	Yes, page 96	Significant actual and potential negative environmental impacts in the supply chain and actions taken

# GRI G4 Content Index

## 5.2 Specific Standard Disclosures

DMA and Indicators	Page	Omissions	External Assurance	Description
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### Material Aspect: Environmental Grievance Mechanisms

G4-DMA	<p>For purposes of this GRI G4 report, we define environmental grievances as grievances related to our environmental material aspects: Energy, Emissions, and Fuel Supply. Note that these material aspects are focused primarily on energy and emissions related to the vehicle and air fleets we purchase and maintain in order to provide our services. We are not involved in manufacturing processes that require or involve raw materials, off-shoring, low-cost labor, or management of significant waste streams. We are therefore not ordinarily at risk for environmental impact grievances from outside stakeholders.</p> <p>Regarding the environmental impact related to our greenhouse gas emissions, we present information in this Report regarding our strategies, technologies, methodologies, and results associated with avoiding and reducing GHGs. UPS has policies and procedures in place to support our compliance with applicable laws and regulations. We audit our compliance, and we open our facilities to inspections by relevant authorities.</p>	—	Yes, page 96	
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## 5.2 Specific Standard Disclosures

DMA and Indicators	Page	Omissions	External Assurance	Description
G4-EN34	<p>We are not aware of any environmental impact grievances presented to UPS in 2015, or any such grievances presented in 2014 for resolution within 2015.</p> <p>If societal stakeholders should have an environmental grievance to raise with UPS, we welcome their concerns and offer a number of avenues for presenting them:</p> <ul style="list-style-type: none"> <li>• Contact our Board of Directors via the Corporate Secretary (UPS, c/o Corporate Secretary, 55 Glenlake Parkway, N.E., Atlanta, Georgia 30328)</li> <li>• Contact our Public Relations group at <a href="http://www.pressroom.ups.com/Contact+Us">http://www.pressroom.ups.com/Contact+Us</a></li> <li>• Send comments or questions regarding this Report to <a href="mailto:sustainability@ups.com">sustainability@ups.com</a></li> <li>• Visit our customer service portal and use the contact information provided there: <a href="http://www.ups.com/content/us/en/contact/">http://www.ups.com/content/us/en/contact/</a></li> </ul>	—	Yes, page 96	Number of grievances about environmental impacts filed, addressed, and resolved through formal grievance mechanisms
<b>Category: Social</b>				
<b>Sub-Category: Labor Practices and Decent Work</b>				
<b>Material Aspect: Employment</b>				
G4-DMA	25, 36	—	Yes, page 96	
G4-LA1	<p>We hired 96,037 new permanent employees globally through September 2015. These figures do not include the 93,000+ people that we hired to work with us through the fourth-quarter peak holiday shipping season. The full-time employee retention rate for our global operations was 89.8 percent.</p>	<p>Currently unavailable — UPS does not currently report new hire or retention rates by gender or region. We are evaluating the availability of information and will have an update in our 2016 Sustainability Report.</p>	Yes, page 96	Total number and rates of new employee hires and employee turnover by age group, gender, and region
G4-LA2	38, 39	—	Yes, page 96	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by significant locations of operation

# GRI G4 Content Index

5.2 Specific Standard Disclosures				
DMA and Indicators	Page	Omissions	External Assurance	Description
G4-LA3	39	Currently unavailable — Due to changes in tracking systems in 2015, UPS does not currently report return to work and retention rates after parental leave. We plan to have an update in our 2016 Sustainability Report.	Yes, page 96	Return to work and retention rates after parental leave, by gender
<b>Material Aspect: Labor/Management Relations</b>				
G4-DMA	44	—	Yes, page 96	
G4-LA4	44	—	Yes, page 96	Minimum notice periods regarding operational changes, including whether these are specified in collective agreements
<b>Material Aspect: Occupational Health and Safety</b>				
G4-DMA	25, 36, 44	—	Yes, page 96	
G4-LA5	45	—	Yes, page 96	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
G4-LA6	38	Confidentiality constraints — UPS does not currently track or report this data for contractors, as this information is subject to confidentiality constraints of our contracts.	Yes, page 96	Type of injury and rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities, by region and by gender
G4-LA7	We are not aware of any occupational diseases among UPS employees, or of any incidence or high risk of disease related to occupations at UPS.	—	Yes, page 96	Workers with high incidence or high risk of diseases related to their occupation
G4-LA8	44	—	Yes, page 96	Health and safety topics covered in formal agreements with trade unions

# GRI G4 Content Index

## 5.2 Specific Standard Disclosures

DMA and Indicators	Page	Omissions	External Assurance	Description
<b>Material Aspect: Training and Education</b>				
G4-DMA	40	—	Yes, page 96	
G4-LA9	41	—	Yes, page 96	Average hours of training per year per employee by gender, and by employee category
G4-LA10	41	—	Yes, page 96	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings
G4-LA11	42	—	Yes, page 96	Percentage of employees receiving regular performance and career development reviews, by gender and by employee category
<b>Material Aspect: Diversity and Equal Opportunity</b>				
G4-DMA	31	—	Yes, page 96	
G4-LA12	33	—	Yes, page 96	Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity
<b>Material Aspect: Equal Remuneration for Women and Men</b>				
G4-DMA	31	—	Yes, page 96	
G4-LA13	UPS provides for equal remuneration policies globally with regard to women and men and has policies and procedures in place to support our compliance with applicable laws and regulations. We believe this is the right thing to do, so we have made it part of our business policies, our compensation policies, and contractual agreements with unions.	—	Yes, page 96	Ratio of basic salary and remuneration of women to men by employee category, by significant locations of operation
<b>Material Aspect: Supplier Assessment for Labor Practices</b>				
G4-DMA	55	—	Yes, page 96	

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5.2 Specific Standard Disclosures				
DMA and Indicators	Page	Omissions	External Assurance	Description
G4-LA14	55	Confidentiality constraints — UPS does not report specific numbers or percentages related to screening or impact assessments, as this information is subject to confidentiality constraints of our supplier contracts.	Yes, page 96	Percentage of new suppliers that were screened using labor practices criteria
G4-LA15	55	Confidentiality constraints — UPS does not currently report findings of these assessments, as this information is subject to confidentiality constraints of our supplier contracts.	Yes, page 96	Significant actual and potential negative impacts for labor practices in the supply chain and actions taken
<b>Material Aspect: Labor Practices Grievance Mechanisms</b>				
G4-DMA	44, 55	—	Yes, page 96	
G4-LA16	45, 47	—	Yes, page 96	Number of grievances about labor practices filed, addressed, and resolved through formal grievance mechanisms
<b>Sub-Category: Human Rights</b>				
<b>Material Aspect: Freedom of Association and Collective Bargaining</b>				
G4-DMA	44	—	Yes, page 96	
G4-HR4	44, 55	—	Yes, page 96	Operations and suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk, and measures taken to support these rights



# GRI G4 Content Index

5.2 Specific Standard Disclosures				
DMA and Indicators	Page	Omissions	External Assurance	Description
<b>Material Aspect: Supplier Human Rights Assessment</b>				
G4-DMA	55	—	Yes, page 96	
G4-HR10	55	Confidentiality constraints — UPS does not report specific numbers or percentages related to screening or impact assessments, as this information is subject to confidentiality constraints of our supplier contracts.	Yes, page 96	Percent of new suppliers that were screened using human rights criteria
G4-HR11	55	Confidentiality constraints — UPS does not currently report findings of these assessments, as this information is subject to confidentiality constraints of our supplier contracts.	Yes, page 96	Significant actual and potential negative human rights impacts in the supply chain and actions taken
<b>Material Aspect: Human Rights Grievance Mechanisms</b>				
G4-DMA	44	—	Yes, page 96	
G4-HR12	We are not aware of any significant human rights grievances presented to UPS in 2015, or any such grievances presented in 2014 for resolution within 2015.		Yes, page 96	Number of grievances about human rights impacts filed, addressed, and resolved through formal grievance mechanisms
<b>Sub-Category: Society</b>				
<b>Material Aspect: Anti-Corruption</b>				
G4-DMA	46, 55	—	Yes, page 96	

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## 5.2 Specific Standard Disclosures

DMA and Indicators	Page	Omissions	External Assurance	Description
G4-S03	47	Currently unavailable – UPS does not track or report audit activity as a percent of operations; however, we are evaluating options and will have an update in our 2017 Sustainability Report.	Yes, page 96	Total number and percentage of operations assessed for risks related to corruption and the significant risks identified
G4-S04	46, 56	—	Yes, page 96	Communication and training on anti-corruption policies and procedures
G4-S05	We are not aware of any confirmed incidents of corruption in 2015.	—	Yes, page 96	Confirmed incidents of corruption and actions taken
<b>Material Aspect: Anti-Competitive Behavior</b>				
G4-DMA	46	—	Yes, page 96	
G4-S07	We are not aware of any government agency in the world investigating UPS or pursuing any enforcement action against UPS relating to bribery or corruption. In our filings with the SEC, we publicly disclose information about judicial proceedings, including any actions involving corruption law.	—	Yes, page 96	Total number of legal actions for anti-competitive behavior, antitrust, and monopoly practices and their outcomes
<b>Material Aspect: Compliance</b>				
G4-DMA	46	—	Yes, page 96	
G4-S08	No significant fines were paid for non-compliance with laws and regulations.	—	Yes, page 96	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations
<b>Sub-Category: Product Responsibility</b>				
<b>Material Aspect: Customer Privacy</b>				
G4-DMA	59, 60	—	Yes, page 96	
G4-PR8	There were no breaches of customer privacy or losses of customer data in 2015.	—	Yes, page 96	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data





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