



OPERATING IN UNISON



CENTENNIAL EDITION

2007
UPS Corporate
Sustainability Report

Published August 2008

CENTENNIAL EDITION



UPS Sustainability Statement

At UPS, we believe our business success depends upon balancing economic, social and environmental objectives.

UPS provides optimal service and value to our customers by striving for the highest operational efficiencies and minimizing impact to the environment.

This business model has endured for a century, and it has generated significant benefits for our stakeholders — employees, customers, communities and shareholders. Indeed, it is the foundation of a culture rooted in an ownership philosophy that values long-term strategy along with diligent execution.

This balanced approach to business is an important element of synchronizing global commerce, which we believe will be one of the most powerful and pervasive economic, social and environmental forces of the 21st century.

UPS, which celebrated its 100th anniversary in 2007, is the world's largest package delivery company and a global leader in supply chain and freight services. With more than a century of experience in transportation and logistics, UPS has global trade expertise and is equipped with a broad portfolio of solutions. Headquartered in Atlanta, UPS serves more than 200 countries and territories worldwide.

On The Cover:

UPS's hybrid electric vehicles use 30 percent less fuel than the vehicles they replace, reducing emissions.

Letter from the Chairman

The year 2007 marked an important milestone for UPS. One hundred years ago, Jim Casey helped found a bicycle-messenger service that would become UPS. Although he never used the terms “sustainability” or “corporate responsibility,” Jim based his company on values that are consistent with today’s emphasis on economic, social and environmental responsibility to investors, customers, employees and the community.

Those values endure today. UPS continues to provide our diverse group of employees with opportunities for personal and career growth. Employees are active in their communities as leaders and volunteers. The UPS Foundation remains one of the nation’s most generous givers, funding thousands of projects annually to address the world’s social problems. And the company is committed to operating in a way that makes us welcome in the communities we serve.

Because so many of our employees are UPS stockholders, as our founders intended, we take the mission of responsibility personally. Our goal, like that of our predecessors, is to leave this company better for the next generation of employees.

To be successful, we must strive for continuous improvement. Back in 2002, we set goals that became the basis of our annual sustainability report. We were the first in our industry to do so. We set goals following the standards of the time, many of which didn’t exist for the transportation industry.

In 2007, we reached a number of our goals and missed others. As has been our philosophy, we are transparent about the reasons for our results in this report. Currently, we are finalizing the next set of goals. These goals reflect the way UPS has evolved from a small package company to a global transportation and logistics company since our first report. They also will reflect the growing expectations of stakeholders around the world, who are holding companies accountable for their impact on society.

As we gain experience and knowledge, we anticipate our sustainability goals will change and evolve, but one thing remains constant: UPS’s next century of success will rely upon responsible business practices and employees who care about the future.



Scott Davis
Chairman and CEO



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ABOUT UPS



OPERATING IN UNISON

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ON THE COVER

The brown-uniformed UPS drivers are recognized worldwide for their friendly, can-do spirit.

Company Profile

UPS is the world's largest package delivery company and a global leader in supply chain and freight services, offering an extensive range of options for synchronizing the movement of goods, information and funds. Headquartered in Atlanta, UPS serves more than 200 countries and territories worldwide.





Company Profile (cont.)

UPS's stock (NYSE: UPS) trades on the New York Stock Exchange.

In addition to world-class package delivery services, UPS offers a host of related capabilities. Over the past two decades, UPS has aggressively erected a massive international transportation network, which is interconnected by one of the largest technological infrastructures in commercial history. In the process, it has dramatically expanded its portfolio of services into freight transportation and supply chain offerings.

In 2007, UPS celebrated its 100th anniversary. At the heart of the company's 100-year success is a strong corporate culture of responsible business practices, integrity and transparency.

Our business, which serves nearly 8 million customers daily in more than 200 countries and territories, is built on a single highly integrated network structure. We believe this model is the most efficient, cost-effective, environmentally responsible and profitable in the industry. All goods — air and ground, domestic and international, commercial and residential — are processed through a single network. This results in very efficient use of assets and lower costs.

The integrated network model delivers significant benefits: reducing environmental impact, offering opportunities to employees and providing positive financial performance. This report elaborates on the ways in which all three of these aspects of a sustainable enterprise are manifested in UPS.

Our Business — Synchronizing Commerce

Every day, millions of business transactions take place around the world. In today's economy, everything involved in these transactions — the goods, the information and the funds — must flow in a synchronized fashion. UPS is one of the few companies in the world that has the infrastructure, the scale, the financial strength and the expertise to enable that synchronization.

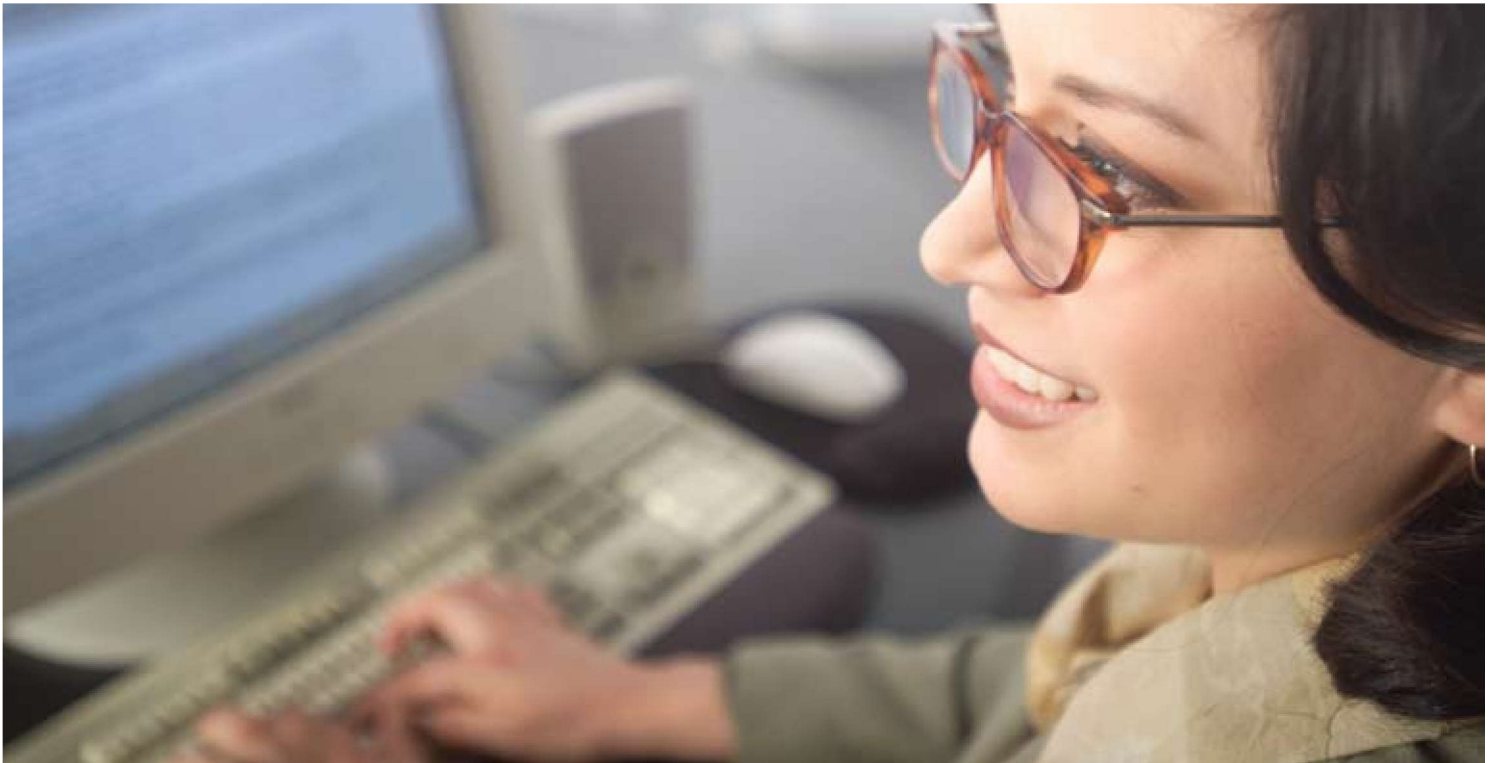
From moving cargo containers across the ocean to expediting customs paperwork at international ports to simply delivering a small package to a local neighborhood, we synchronize commerce for our customers.

Company Profile (cont.)

Our Technology — Enabling “Greener” Global Trade

Technology powers virtually every service we offer and every operation we perform. UPS uses one of the world’s most sophisticated digital information systems to deliver nearly 16 million packages and documents each day around the globe. We invest more than US\$1 billion in technology every year. That investment helps us provide excellent service to customers. It also provides us with the tools and data to look for ways to minimize our environmental impact.

Our package routing technology enables us to deliver packages even more reliably while reducing the miles driven. This leads to a reduction in our fuel consumption and emissions. Telematics, the use of technology to collect and analyze data from delivery trucks, is showing promising fuel conservation results through the reduction of vehicle idle time and improved maintenance. In addition, the new UPS PaperlessSM Invoice uses technology to reduce the paper required in international shipping.



Financial Information*

	2007	2006	2005	2004	2003	2002
Total revenue	\$49,692	\$47,547	\$42,581	\$36,582	\$33,485	\$31,272
Operating expenses	49,114	40,912	36,438	31,593	29,040	27,176
Income taxes	49	2,308	2,205	1,589	1,472	1,755
Net income	382**	4,202	3,870	3,333	2,898	3,182
Diluted earnings per share	0.36**	3.86	3.47	2.93	2.55	2.81
Total assets	39,042	33,210	34,947	33,088	29,734	26,868
Long-term debt	7,506	3,133	3,159	3,261	3,149	3,495
Shareowners' equity	12,183	15,482	16,884	16,378	14,852	12,455

*Totals in millions of dollars, except per-share amount.

**2007 net income and earnings per share amounts include the after-tax impact of the charges related to the withdrawal from the Central States, Southeast and Southwest Areas pension funds, as well as other charges, which totaled US\$3.987 billion. See our 2007 10-K filing for details.

For additional information, go to <http://investor.shareholder.com/ups>.

Governance

To us, “governance” is the guiding principle for “how we run the business.” Integrity, reliability and trust have been cornerstones of UPS since we were founded in 1907. We have run our business in a manner that creates and sustains a financially strong organization that takes its social and environmental responsibilities seriously.

Today, “governance” has come to be defined by others as identifying specific structures, controls and processes to ensure the interests of shareowners are protected.

Our governance practices are explained in detail on the UPS Investor Relations website (<http://investor.shareholder.com/ups>). It includes information about the composition, committees and compensation of our Board of Directors, along with our structure and management philosophy.



Governance (cont.)

Employee Ownership

For 92 years, UPS was a privately held company with employees owning a significant portion of shares. We believe that when employees' interests are aligned with the best interests of the company, better decisions are made with long-term success rather than short-term gains in mind.

In the 1950s, we began awarding a percentage of profits to our managers to foster the company's partnership culture. Today, the UPS's Management Incentive Plan is tied directly to the company's performance against business goals. Each year, approximately 35,000 management employees receive a reward based on the degree to which those goals are achieved. The award consists of restricted stock units (50 percent) and the choice to receive the other 50 percent in cash, additional shares or deferred retirement savings. The restricted stock units vest over five years at 20 percent per year. Approximately 10 percent of the management team also receives stock options.

We provide additional ways for employees to own UPS stock, including the Discounted Employee Stock Purchase Plan (available in Canada, Germany, Hong Kong, Mexico, Puerto Rico, Singapore, Taiwan and the United States), the UPS Savings Advantage (a 401(k) plan), which offers a company match in stock (available in the United States), and a direct stock purchase plan (available worldwide).

Since we believe aligning employees' interests with company goals is a high priority, we will continue to encourage and pursue ways for employees to increase their ownership stake in the company.



Policy Book

Promise



GROWTH

Governance (cont.)

Ethics and Compliance

UPS Corporate Compliance Mission Statement

Promote an organizational atmosphere that protects our legacy of ethical conduct and supports full compliance with all legal and regulatory requirements and UPS policies throughout all UPS business units globally.

Our legacy of ethics and integrity is fundamental to our ability to attract and retain the best employees, gain and keep the trust of our customers, create shareholder value, support the communities in which we operate and protect our reputation.

This value system is coupled with the UPS Policy Book and the *UPS Code of Business Conduct*. These two elements — the philosophical and the practical — work together to create an environment where good people can make good decisions.

The UPS Policy Book: Human Rights

We recognize our responsibility to ensure that human rights are respected and protected in the workplace. We will seek to protect those rights in our business sphere of influence.

Our commitment to ethical operations begins with top management. Our General Counsel and Corporate Secretary serves as the Corporate Compliance Officer and has a reporting responsibility to the Board of Directors' Audit Committee. During 2007, on-site corruption risk assessments were completed for our top 16 high-risk countries.

The UPS Code of Business Conduct provides employees with worldwide Business Conduct guidelines, which apply to all UPS business units. The Code of Business Conduct is available to employees in 12 languages on our intranet. During 2007, 98 percent, or approximately 33,000 management, specialists and technical employees, were trained on anti-corruptions policies and procedures.

Several tools are in place to monitor the effectiveness of our compliance initiatives globally, including the UPS Business Ethics Questionnaire (BEQ), an Annual Compliance Report and Certification Process, and Regulatory Compliance Reviews. Employees around the globe have access to the UPS Help Line, a toll-free number they can call to ask advice or report concerns.

Company Facts At-a-Glance*

UPS FACT SHEET	
Founded	August 28, 1907, in Seattle, Wash., USA
Headquarters	Atlanta, Ga., USA
World Wide Web Address	UPS.com®
Chairman and CEO	Scott Davis
2007 Revenue	US\$49.7 billion
Employees	425,300 (358,000 U.S.; 67,300 International)
PACKAGE OPERATIONS	
2007 Revenue	US\$41.3 billion
2007 Delivery Volume	4.0 billion packages and documents
Daily Delivery Volume	15.8 million packages and documents
Daily U.S. Air Volume	2.3 million packages and documents
Daily International Volume	1.9 million packages and documents
Service Area	More than 200 countries and territories; Every address in North America and Europe
Customers	7.9 million daily (1.8 million pick-up, 6.1 million delivery)
UPS.com	Average 18.5 million daily online tracking requests
Retail Access	The UPS Store®, 4,647; Mail Boxes Etc.®, 1,306 (global); UPS Customer Centers, 1,000; Authorized Outlets, 17,000; UPS Drop Boxes, 40,000
Operating Facilities	1,801
Delivery Fleet	93,637 package cars, vans, tractors, motorcycles
Alternative-Fuel Vehicles	1,629
UPS Jet Aircraft	268; 9th largest airline in the world
Chartered Aircraft	311
Daily Flight Segments	Domestic — 1,130; International — 796
Airports Served	Domestic — 424; International — 389
Air Hubs	
- United States	Louisville, Ky. (main U.S. Air Hub); Philadelphia, Pa.; Dallas, Texas; Ontario, Calif.; Rockford, Ill.; Columbia, S.C.; Hartford, Conn.
- Europe	Cologne/Bonn, Germany
- Asia Pacific	Taipei, Taiwan; Pampanga, Philippines; Hong Kong; Singapore
- Latin America and Caribbean	Miami, Fla., USA
- Canada	Hamilton, Ontario

*Facts are as of August 2007

Company Facts At-a-Glance* (cont.)

SUPPLY CHAIN AND FREIGHT	
2007 Net Revenue	US\$8.4 billion
UPS Supply Chain Solutions®	
- Key Services	Logistics and distribution; transportation and freight (air, sea, ground, rail); freight forwarding; international trade management and customs brokerage
- Specialty Services	Service parts logistics; technical repair and configuration; supply chain design and planning; returns management
- Facilities	1,020 facilities in more than 120 countries; 38 million sq. ft.
UPS Freight®	
- Key Services	Leading provider of less-than-truckload services coast-to-coast
- Delivery Fleet	6,353 tractors; 21,818 trailers
- Facilities	215+ service centers

*Facts are as of August 2007





Awards and Recognition

Workplace and Diversity

UPS Named 2007 Green Cross for Safety Medal Recipient

The National Safety Council recognized UPS for its exemplary century-long commitment to workplace safety. UPS celebrated its 100th birthday in 2007, and safety has been part of the company's leadership philosophy from the start. Today, UPS invests more than US\$73 million a year in safety-related training, including 54 formal UPS safety training courses. UPS employees worldwide receive more than 1.7 million hours of safety-related training annually.

UPS Named Among America's Top Corporations for Women's Business Enterprises (WBEs)

UPS was included in Women's Business Enterprise National Council (WBENC) list of "America's Top Corporations for Women's Business Enterprises." UPS was one of only three companies to be recognized each year since the award was created eight years ago. The award recognizes companies for their programs offering equal access for WBEs in competing for, and winning, corporate contracts for goods and services.

UPS Named Corporation of the Year by the National Minority Supplier Development Council

UPS received the "Corporation of the Year" award, presented by the National Minority Supplier Development Council (NMSDC). The award, regarded as the most significant honor to a major corporation for using Asian, Black, Hispanic and Native American suppliers, acknowledges UPS for its exemplary achievements in the area of minority business development.

UPS Recognized by Paralyzed Veterans of America

The company was recognized by the Paralyzed Veterans of America for its enduring advocacy for people and veterans with disabilities. This corporate leadership award was presented to UPS at an event in Washington, D.C., at which Secretary of Labor Elaine Chao was also honored for her service in the veteran community.

Awards and Recognition (cont.)

UPS Named Best Place to Launch a Career

For the second consecutive year, UPS landed on *BusinessWeek's* list of Best Places to Launch a Career. The magazine bases its ranking on a survey of more than 37,000 U.S. employees who rate their companies on pay, benefits, retention and training programs.

UPS Recognized as Best Place to Work for IT Professionals

UPS was among the 100 Best Places to Work in IT, as listed by *ComputerWorld* magazine in 2007. The survey includes companies based on organizations' average salary and bonus increases, the percentage of IT employees receiving promotions, IT staff turnover rates, training and development opportunities, and the percentage of women and minorities in IT staff and management positions.

World Communities

UPS Hong Kong Awarded "5 Year Award — Caring Company 2006/2007"

UPS Hong Kong, for the fifth consecutive year, was awarded "Caring Company" by the Hong Kong Council of Social Service (HKCSS). This program recognizes companies that demonstrate good corporate citizenship and motivate strategic partnership initiatives between business and social service sectors.

UPS Received CARE's International Humanitarian Award for Corporate Philanthropy

CARE, a leading humanitarian organization fighting global poverty, awarded UPS its International Humanitarian Award for Corporate Philanthropy.

UPS contributed more than US\$1 million during a 14-year partnership that has supported CARE's work around the world. Since 1995, UPS has underwritten CARE's Emergency Transportation Shipping Fund. In addition, UPS has donated to CARE's emergency and relief efforts throughout the world, including Angola, Cambodia, Haiti, Kosovo, Lebanon, Nicaragua, Sudan and Vietnam.



Awards and Recognition (cont.)

UPS Won Literacy Leadership Award

The National Coalition for Literacy awarded The UPS Foundation its 2007 Literacy Leadership Award. This award recognizes individuals and organizations that have made extraordinary contributions to improving literacy in the United States. Award recipients have demonstrated a deep and sustained commitment by supporting literacy across the lifespan on the local, state and national level.

The Salvation Army Recognized UPS for Community Service

The Salvation Army honored the company for its community support through The Salvation Army Angel Tree Program, Hurricane Katrina aid and the Think Volunteer program.

Environment

UPS Received 2007 Keep America Beautiful Vision for America Award

Keep America Beautiful, Inc., the nation's largest nonprofit community improvement organization, chose UPS as its 2007 Vision for America Award honoree. Keep America Beautiful recognizes and honors UPS for the corporation's leadership in environmental issues and for its outstanding efforts to promote and sustain volunteerism in America.

UPS Supply Chain Solutions® Ranked Among Top "Green" Outsourcers

In the 2007 edition of an annual survey conducted to determine which supply chain and logistics companies were environmentally friendly, UPS Supply Chain Solutions® was a top leader in the services, supply chain and logistics outsourcing category.

Awards and Recognition (cont.)

Brand Excellence

UPS Listed in Top Tier of World's Most Respected Companies

The Reputation Institute named UPS in its 2007 list of "The World's Most Respected Companies." The company ranked second globally in the transport and logistics industry and ranked first in the United States. UPS ranked first in corporate citizenship and 25th overall, jumping from 112 last year.

UPS Named to "World's Most Ethical Companies" List

UPS was named one of the World's Most Ethical Companies by *Ethisphere Magazine*. The listed companies were recognized for strong leadership in ethics and compliance, advancement of industry discourse on social and ethical issues, and positive engagement in the communities in which they operate. UPS was the only transportation company on this list.

UPS Named One of 100 Best Corporate Citizens

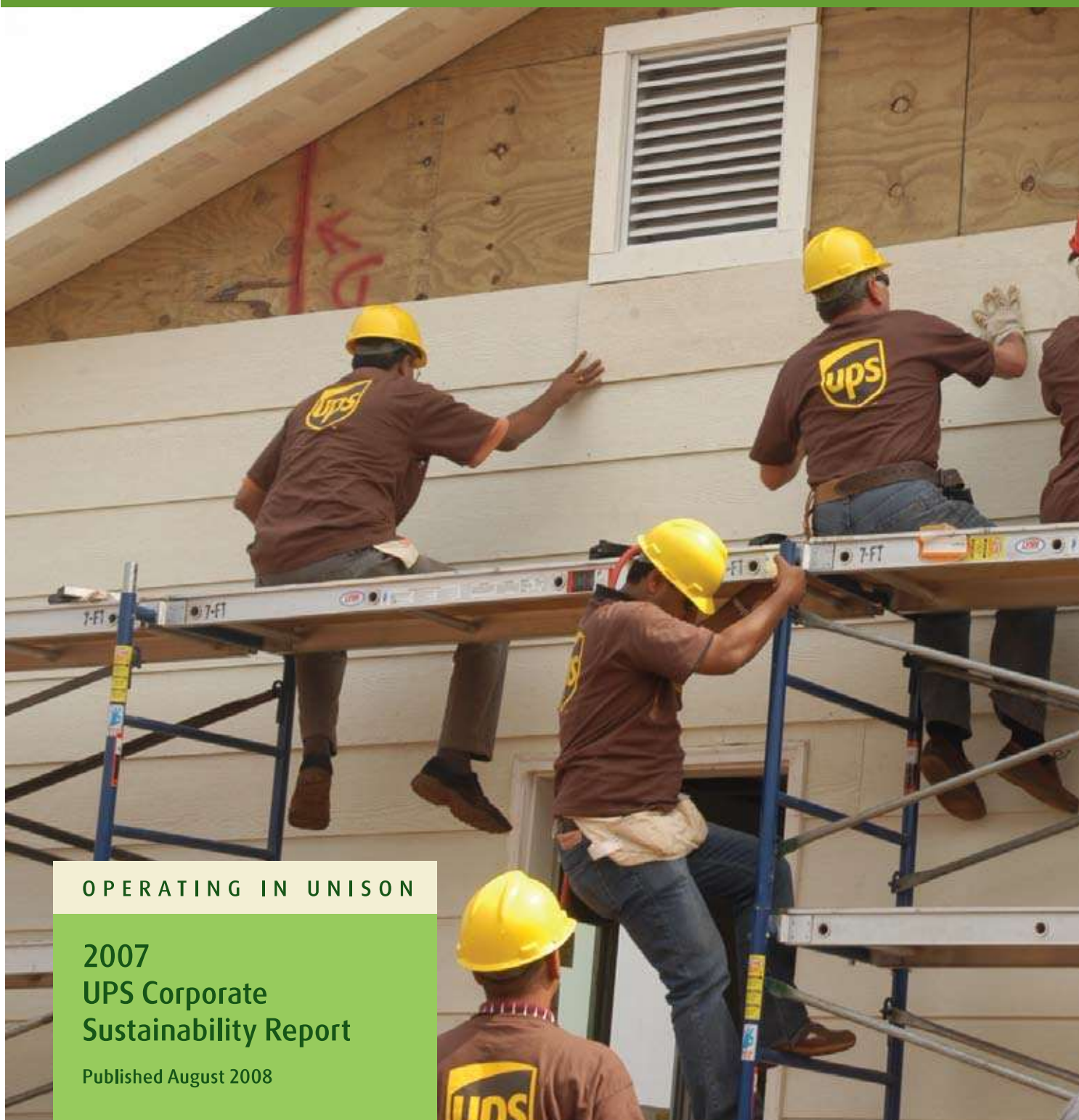
UPS was included in the eighth annual list of 100 Best Corporate Citizens in the United States. The survey, published by *CRO* magazine, ranks companies on service in key categories: shareholders, community, governance, diversity, employees, environment, human rights and product.

UPS Won 24th Annual Quest for Quality Award

UPS's outstanding performance as a multi-faceted transportation provider has been acknowledged by winning *Logistics Management's* 24th annual Quest for Quality award. The award is given based on a survey that asked shippers to grade a company's performance, value, information technology, customer service, equipment and operations. Quest for Quality recognizes expedited motor, air express, freight forwarders, surface package and multi-regional less-than-truckload carriers.



ABOUT THE REPORT



OPERATING IN UNISON

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ON THE COVER

As part of the UPS People to People Program, volunteers construct a state-of-the-art computer lab in India. In its eighth year, the program is dedicated to improving lives through education and technology.



History of the Report

In 2003, UPS issued our first Corporate Sustainability Report, *Operating in Unison*. The data in the first report was based on 2002 year-end information. The vision, strategy and goals detailed in the report were designed with 2007 in mind — UPS’s 100th anniversary. Annual summary updates were provided through 2007, and this is our centennial sustainability report.

This report details the results of our key performance indicators (KPIs) from 2002 to 2007. We’ve provided our stakeholders with a chart that outlines our 2002 baseline data, our progress each year and our 2007 results for each KPI. We’ve also included new information about major initiatives launched in 2007 to maintain or improve our performance.

Reporting Guidelines

The 2007 report is based on the third generation of Global Reporting Initiative (GRI) guidelines known as GRI-G3. The GRI is an independent institution that provides a credible framework for sustainability reporting.

We believe that our 2007 reporting qualifies for the GRI scope “B” application level requirements. See the GRI-G3 Index in the Appendix. It lists the pages in which information is provided on the individual indicators.

In addition to GRI-recommended measurements, we developed KPIs that are new or exclusive to our industry. They represent a significant step forward to fully and accurately measure the impact of transportation companies on society and the environment. The new measurements include ground network fuel efficiency and aircraft emissions.

Reporting Guidelines (cont.)

All measurements in the report reflect uniquely upon our culture, business model, quality of management and impact on natural resources. Throughout the report, KPIs are indicated with a special icon to distinguish them from informational charts and graphs, as shown below. For the full KPI chart, as well as the GRI Index, see the Appendix at the end of this report.

Social

- Full-time retention rate
- Employer of Choice Index
- Philanthropy as a percentage of pretax profit and total UPS charitable contributions
- Auto accident frequency
- Lost-time injury frequency

Environmental

- Penalties as a percentage of total environmental inspections
- Water consumption
- Energy consumption
- Gallons of fuel per package
- Aircraft emissions
- Percentage of air fleet that meets Stage IV noise requirements
- CO₂ emissions
- Number of reportable spills
- Hazardous waste

Highlights of the Report

By year-end 2007, UPS had achieved some of its goals and made significant progress toward other KPIs.

Most notably in the social category, UPS reduced its lost-time injury frequency to 2.4, exceeding its six-year goal of 3.2 lost-time injuries per 200,000 hours. And, while even one accident is one too many, UPS also reduced its auto accident frequency to 15.1, exceeding its six-year goal of 15.2 accidents per 100,000 driving hours.

UPS also met its goal to maintain a full-time workforce retention rate of 92 percent, despite normal attrition, retirements and fluctuating market conditions. And although UPS fell short of maintaining its philanthropic goal through The UPS Foundation of donating 1 percent of profits, UPS can be proud of its global contributions of US\$46.4 million, considering that this amount does not include employee contributions to United Way of more than US\$51.5 million and in-kind contributions of US\$1 million.

A full recap of all goals is included in this report.



Highlights of the Report (cont.)

UPS continues to focus on improving the global communities in which we do business every day. We are constantly reviewing our processes to make sure we are operating in a sustainable and responsible manner. This includes examining how we drive, fly and conduct business worldwide. In 2007, we continued to gain new recognition and introduce new initiatives that will help us achieve our sustainability goals in the future. Listed below are key developments and examples of new initiatives that are helping us achieve our sustainability goals.

Economic Sustainability

- UPS was included in the Dow Jones Sustainability Index for the sixth consecutive year and the FTSE4Good Index for the fourth consecutive year.
- International export package volume grew by more than 10 percent.
- The supply chain and freight segment increased profits by US\$276 million.

Social Sustainability

Community Investment

- The UPS Foundation gave US\$46.4 million to thousands of organizations worldwide.
- Employees volunteered more than 1 million hours.
- Employees donated US\$51.5 million of the US\$59.5 million UPS donated to the United Way.

Workforce Investment

- The company invested US\$31.7 billion in our employees worldwide. This includes US\$15.1 billion in indirect pay, such as income protection, healthcare benefits and retirement plans. It also includes US\$107.4 million in 401(k) stock matches.
- UPS was named in the Reputation Institute's list of the "World's Most Respected Companies." We ranked second globally in the transport and logistic industry and first in the United States. We ranked first in corporate citizenship.



Highlights of the Report (cont.)

Environmental Sustainability

Ground and Air Fleet Initiatives

- UPS continues to develop and use sophisticated aircraft routing technology to improve the fuel efficiency and environmental performance of UPS Airlines — the world's ninth largest airline.
- UPS retired 20 727-100s and acquired three new, highly efficient 747-400s.
- We continue to enhance the UPS “green” fleet by testing and deploying hybrid, compressed natural gas and propane-powered delivery vehicles.
- UPS employs telematics, the use of technology to collect and analyze data from delivery trucks, to help identify ways to reduce energy and emissions while improving driver safety and customer service.

Infrastructure Initiatives

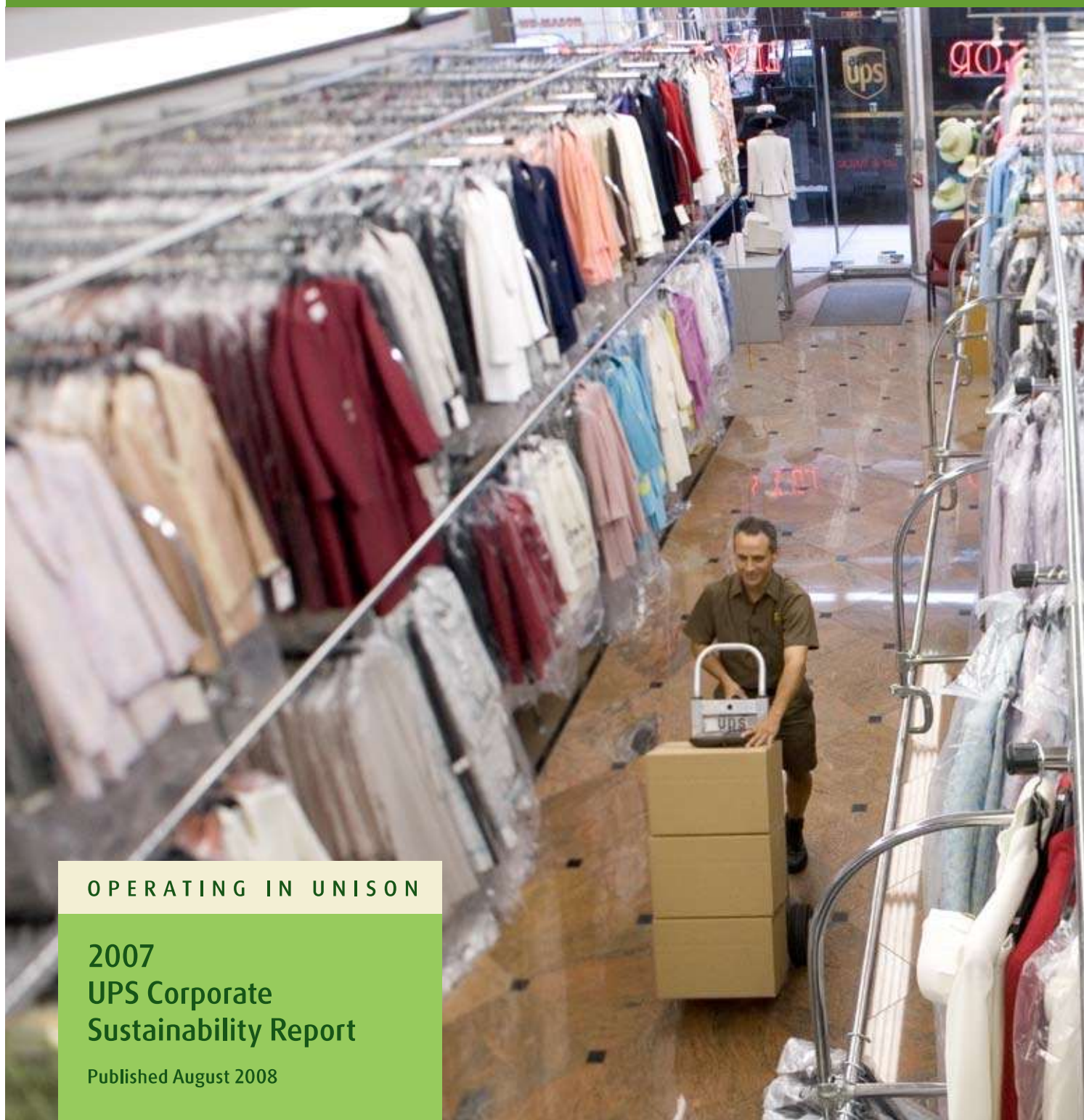
- UPS continues to roll out package flow technology, which is designed to improve delivery efficiency and energy savings in U.S. facilities.
- The company evaluates alternate and renewable energy sources, including solar energy. We use roof-top solar panels in our Palm Springs, Calif., sorting facility. Since its deployment in 2003, the electricity produced has reduced CO₂ output by 1 million pounds.

Recycling Initiatives

- The company maintains its electronic equipment recycling initiative started in 2000. To date, UPS has recycled 22.3 million pounds of electronic equipment, with 2.65 million pounds in 2007.
- UPS recycles solid waste. In 2007, UPS recycled 45,400 tons of solid waste materials, including metals, plastics, paper, corrugated materials, pallets and wood waste. Additionally, UPS purchased 159,100 tons of materials with recycled content.



ECONOMIC



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ON THE COVER

UPS helps make the business world go around. Here a UPS driver delivers a shipment to a clothing store in New York City. UPS enables global commerce by linking retail stores to manufacturers worldwide.



Economic Impact

The economic contribution of corporations goes well beyond building shareholder wealth. Companies like UPS can generate an economic ripple that spreads throughout the global economy, helping create jobs, fund education and government services, and improve living standards in communities around the world.

The multiplier effect of UPS operations in local communities around the world is substantial. UPS creates significant economic activity when it pays salaries and benefits, hires a network of suppliers and outside contractors, contributes payroll taxes and makes other corporate expenditures. These are direct contributions, but there is an even farther-reaching impact generated by UPS's business model, which is designed to enable companies of all sizes to move goods, information and funds around the world. The jobs, economic growth and wealth created by our customers doing business faster, smarter and more cost effectively is part of the economic ripple effect.

For instance, in UPS's hometown of Atlanta, it's been estimated that the company contributes nearly US\$500 million a year in salaries, taxes and other expenditures to the local economy. These direct contributions help generate additional indirect economic activity in metro Atlanta for a total estimated economic impact of around US\$3 billion. This represents a six-fold economic multiplier.

UPS has a similarly positive economic impact in the nearly 200 countries and territories in which it operates.



Economic Impact (cont.)

Jobs and Compensation

As one of the world's largest private employers, UPS today has a global workforce of more than 425,000 people, more than 67,000 of whom are located outside the United States. In 2007, UPS paid its full-time and part-time employees US\$31.7 billion in wages and benefits.

Our investments in people include competitive wages and salaries; paid vacations; comprehensive healthcare benefits for employees and their families; a discounted employee stock-purchase plan; retirement-plan expenses; tuition-reimbursement expenses; and SavingsPLUS (401(k)) stock matches for U.S.-based employees.

Good jobs and competitive compensation packages help make our employees a positive economic force throughout the world.

Taxes

The taxes that UPS pays to local and national governments around the world help fund schools, fire and police services, transportation infrastructure and social services. In 2007, UPS paid approximately US\$1.7 billion in taxes worldwide.

Dividends

In 2007, UPS distributed US\$1.7 billion in dividends to UPS shareholders. Currently, nearly 117,800 employees are shareholders.



Economic Impact (cont.)

Our Business Model: Enabling Global Commerce

The UPS business is so intertwined with the movement of goods in the global economy that it is often seen as a barometer of overall economic health. In the past decade — as UPS evolved from a small-package company to a full-service logistics provider — our business model has matured. Today, UPS doesn't just deliver packages. We enable global commerce.

Enabling global commerce involves managing and synchronizing the three flows of commerce: goods, funds and information. Nearly every business transaction involves an exchange of goods or services between seller and buyer. There's also an exchange of information about the transaction, as well as an exchange of funds. Getting the right products to the right place at the right time — in the right physical and financial condition — requires a global network and sophisticated supply-chain management processes. With our expansive, multi-modal network and full complement of supply-chain services ranging from small-package and freight delivery to cross-border information tracking systems, warehouse management, customs brokerage, supply-chain financing and much more, UPS helps companies turn their supply chains into strategic business assets.

The kind of supply-chain management tools and services offered by UPS has implications for global business and economic progress. When the three flows of commerce are optimally managed, business inventories can be reduced, shipping costs diminished and fulfillment accelerated.



Economic Impact (cont.)

Small-Business Support

UPS enables commerce for companies of all sizes, from home-based businesses to Global 1000 companies. For smaller companies in particular — which represent the majority of the world's importers and exporters — UPS's one-stop business model, services, tools and multi-modal global network help simplify international shipping.

Instead of building their own logistics networks, smaller companies can rely on the UPS network for time-definite small-package and freight services, international shipping, electronic customs documentation and tracking software. UPS Capital® even offers help financing trade and accessing government-backed small-business loans. In fact, UPS is one of the U.S. Small Business Administration's top-15 lenders in terms of dollar volume.

Another key UPS resource for small business is The UPS Store®, with almost 4,650 neighborhood retail locations around the world. Individually owned small businesses, The UPS Store locations offer shipping and business services designed especially for smaller companies that don't have their own logistics departments. In countries where logistics networks are still developing, The UPS Store can serve a particularly valuable role. During 2007, The UPS Store opened its first outlet in Bangalore in South India, joining retail stores in Delhi, Mumbai and Pune.

To further encourage the growth of small businesses — and the jobs they bring to local communities — in 2007, UPS created a Centennial Grants Fund and awarded US\$1 million to three global micro-lending organizations to fund entrepreneurs, many of whom are women who will create jobs, build assets and improve the standard of living for their families. Opportunity International is helping nearly 5,000 poor entrepreneurs in 15 developing countries. ACCION International works with partners in 25 countries to reach more than 3 million active clients with loans and financial services. FINCA International extends credit to 1,400 micro-entrepreneurs in 21 countries.

Economic Impact (cont.)

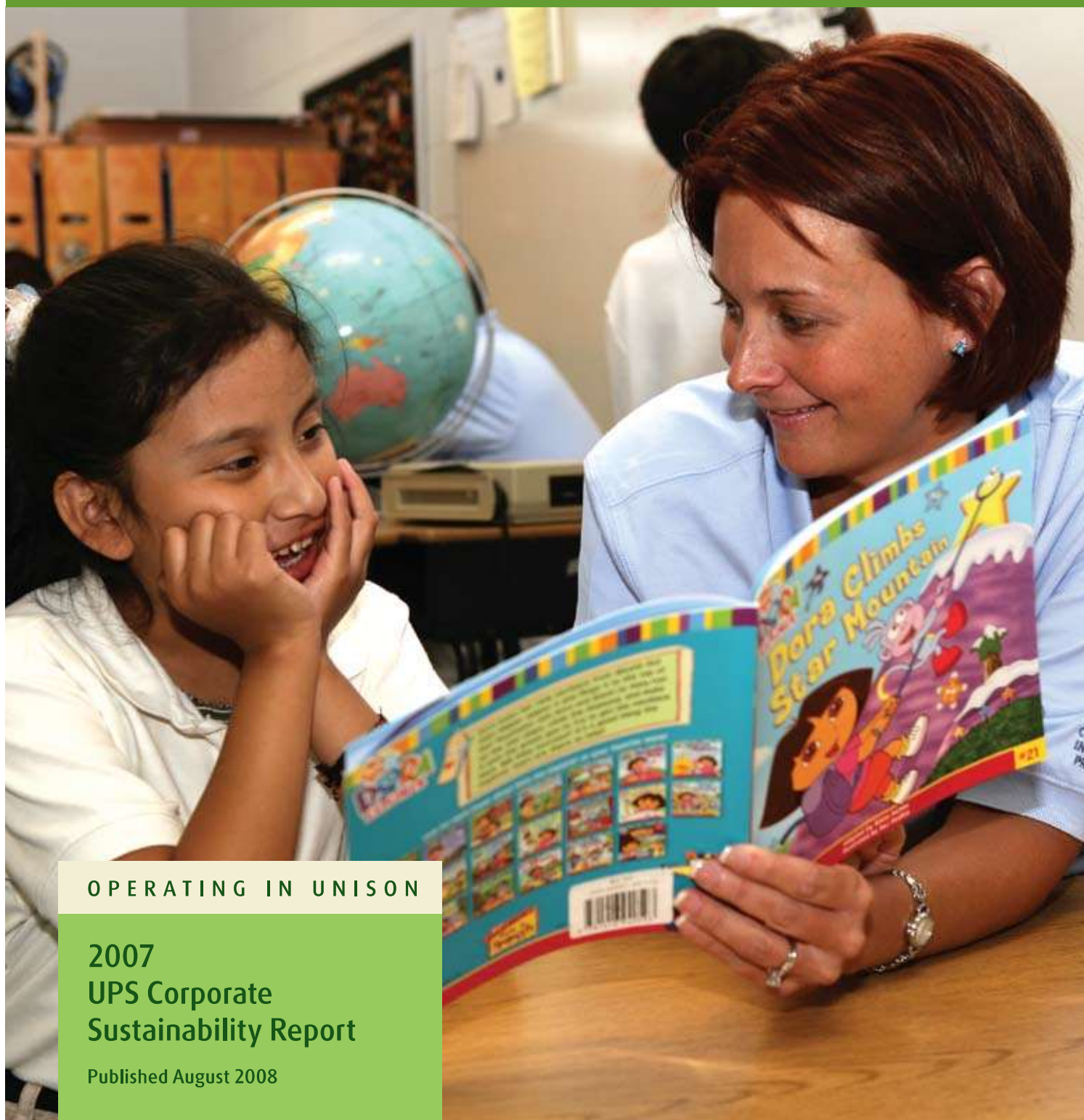
Greener Logistics

UPS has worked diligently to minimize fuel usage and carbon emissions within its own global operations. UPS has implemented strategies such as advanced routing, scheduling and dispatching to minimize miles driven; alternative-fuel delivery vehicles; and an aggressive aviation fuel conservation program that minimizes airplane engine idling and optimizes airplane-landing efficiency. Recently, UPS introduced services to help our customers redesign their own supply chains for higher efficiency and lower environmental impact. UPS can help customers increase their number of consolidated shipments, create higher load factors, use more energy-efficient transport modes, shift inventory and sourcing, and design smarter delivery routing and scheduling.

Often, greener logistics also can mean more efficient, cost-effective supply chains that are designed to fulfill UPS's mandate to enable global commerce.



SOCIAL



OPERATING IN UNISON

2007
UPS Corporate
Sustainability Report

Published August 2008

ON THE COVER

UPS employee Kim Wyant helps a child with her reading as part of the UPS Community Internship Program, a leadership development initiative that places UPS managers in the community for four-week assignments.

At UPS, we believe in the importance of operating in unison with employees, communities and governments to foster greater global economic prosperity and encourage individual achievement.

We believe the social and economic impact of synchronization — bringing greater balance and sustained order to economic development — benefits UPS, our employees, customers, shareowners and the communities where we operate.

Throughout this report, we detail the environmental and economic impacts of our operational network. This network includes vehicles, planes, data and operating facilities, but is, first and foremost, a connection of people and communities. This connection results in trust and collaboration, performance and accountability, and careful, attentive service to our customers.

In this section, we discuss the opportunities and the challenges UPS faces in creating a culture of collaboration and support among employees and communities.



UPS Global Workforce*

U.S.	358,000
International	67,300
Employees Worldwide	425,300

*As of September 2007

Global Workforce Development

UPS is committed to attracting and retaining the skilled and motivated workforce essential to our organization. We offer competitive compensation and benefits, invest in the skill development of our people, and promote life-long learning and career opportunities.

As we have expanded globally, we have learned to recognize the importance of training local people to manage our local operations. At the end of 2007, out of 67,300 employees working in our operations outside the United States, only 76 were U.S. expatriates. This practice enables us to integrate our operations seamlessly into any culture or economy, while ensuring that we are sensitive to the cultural nuances of the native workforce.

The spirit of teamwork all UPS employees share is a key ingredient of our success. This cooperative spirit allows us to proactively address many of the worldwide challenges outlined in this section, including a continued focus on safety and on equal opportunity and fair treatment for all employees.



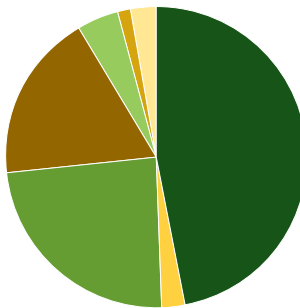
Global Workforce Development (cont.)

Full-time

Because of our promotion-from-within policy, many part-time employees have the opportunity to move into full-time positions.

Full-time positions range from drivers and mechanics to software engineers, industrial and plant engineers, sales executives and human resources professionals. As of 2007, the average full-time manager worked for the company 15.6 years.

Global — Full-time Workforce*



*As of September 2007

- = 104,000 Drivers
- = 6,000 Mechanics
- = 63,500 Administrative & Clerical
- = 38,200 Management
- = 12,300 Other
- = 2,900 Pilots
- = 6,300 Specialists

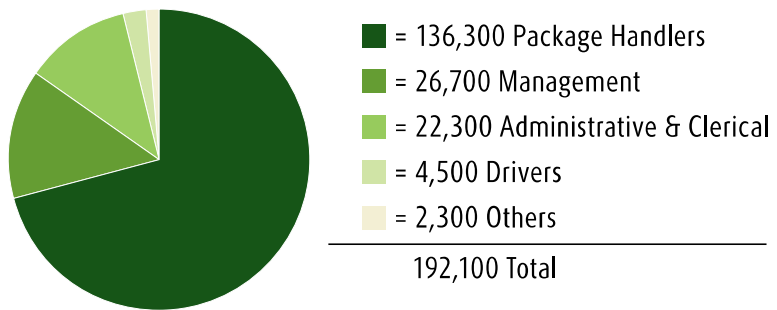
233,200 Total

Global Workforce Development (cont.)

Part-time

Part-time employees are a critical part of our workforce — 47 percent of our employees hold part-time positions. The nature of UPS’s business, which includes periodic bursts of activity throughout the day, requires a significant part-time workforce. Our part-time jobs not only meet the company’s needs, but also present an appealing option to thousands of people, like students, retirees and others who want flexible hours, competitive wages and benefits.

Global — Part-time Workforce*



*As of September 2007

Managing turnover in a large part-time workforce is a challenge industry-wide. In 2007, turnover in our part-time workforce was 55.4 percent. However, our average part-time employee in the United States is with us for more than three years before pursuing full-time opportunities within the company or pursuing opportunities elsewhere.

Global Workforce Development (cont.)

Education Assistance

In order to address turnover and the costs associated with hiring and training new employees, we provide education and development opportunities for our people. In the United States, college students made up more than 58 percent of our new part-time hires in 2007. So, we offer a wide range of tuition assistance programs to help us recruit and retain college students with targeted programs in key locations. It's an ideal match — we pay for a significant amount of their college tuition plus an hourly wage and full benefits.

The UPS Earn and Learn Program — Since it began in 1999, the UPS Earn and Learn Program has provided over US\$108 million in tuition assistance for nearly 82,000 employees to help pay for their college education. This program is available at 85 UPS locations in the United States.

[Learn more about the UPS Earn and Learn Program](#)

Metropolitan College — A unique partnership between UPS and the state of Kentucky, Metropolitan College offers people the opportunity to pursue their college education for free while working for UPS. Since the program's inception in 1998 in Louisville, nearly 13,000 employees have participated in Metro College. In 2007, 2,625 employees were enrolled.

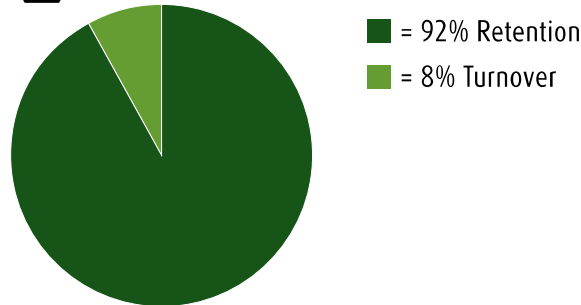
[Learn more about Metropolitan College](#)

Global Workforce Development (cont.)

2007 Goal **GOAL ACHIEVED**

Maintain a full-time workforce retention rate at no less than 92 percent. UPS achieved this goal.

KPI 2007 Global — Full-time Workforce Retention and Turnover*



*Data excludes UPS Freight®

Despite attrition (including retirements), acquisitions and market conditions that cause our retention level to fluctuate, we have achieved our retention goal of 92 percent. We established this goal because we believe this retention level perpetuates institutional knowledge while also allowing for a steady influx of new talent and ideas. We believe career and company ownership opportunities created for our employees contributed to this success.

Ongoing Initiatives:

- Maintain a culture of employee ownership
- Focus on career development opportunities and promotion-from-within philosophy
- Offer training and education opportunities
- Respond to annual employee survey feedback
- Provide competitive compensation and benefits

Global Workforce Development (cont.)

Promotion from Within

Our culture emphasizes a promotion-from-within approach to management development. Development is a shared responsibility between UPS and the employee. By encouraging our people to have long-term careers at UPS, we have developed a management team whose depth of expertise is unparalleled in our industry.

A large percentage of our workforce in the United States has advanced from part-time to full-time positions and from non-management to management positions.

- In 2007, 8,163 part-time employees advanced to full-time positions.
- 57 percent of our current full-time drivers were once part-time employees.
- 77 percent of our full-time management employees were promoted from non-management positions.
- 77 percent of our vice-president-level employees started in non-management positions.
- 9 of the 12 members of our Management Committee started in non-management positions at UPS.

We have a formalized career development process that identifies employees with high potential early and develops qualified candidates for all positions. This process is critical to succession planning, which identifies the next level of executive leadership and ensures that these employees are ready to advance.

Our promotion-from-within policy is one of the primary reasons that our culture of ethics and integrity has stood the test of time for the last century. Due to the level of experience and length of service of our employees, our legacy is passed on seamlessly from generation to generation.



Diversity

UPS Charter

UPS believes that people do their best when they feel pride in their contributions, when they are treated with dignity, and when their talents are encouraged to flourish in an environment that embraces diversity.

Workforce Diversity

2007 Year-End UPS Workforce Diversity in the United States

Our U.S. diversity initiatives are guided by the UPS Diversity Steering Council, chaired by our Chairman and CEO with our Senior Vice President of Human Resources and our Senior Vice President of Legal, Compliance and Public Affairs serving as co-chairs.

Women as a percentage of officers and managers	29%
Minorities as a percentage of officers and managers	31%

Asian	4%
Black	17%
Hispanic	9%
Native American/Other	1%

2007 Year-End Diversity Among UPS Board of Directors

Women on the Board of Directors	20%
Minorities on the Board of Directors	10%



Diversity (cont.)

Fair Treatment

As one of the largest employers in the world, UPS is a microcosm of society's opportunities and challenges. Balancing the needs of a diverse global workforce to ensure that everyone is treated with fairness, dignity and respect requires daily commitment.

We have comprehensive policies and procedures in place to ensure fair treatment across the business including the [*UPS Code of Business Conduct*](#).

UPS Code of Business Conduct

We treat each individual fairly, and we recruit, select, train, promote and pay employees based on merit, experience and other work-related criteria. Our policies comply with all laws governing fair employment and labor practices worldwide.

We consider the point of view of unions along with the interests of our customers, our employees and our company as a whole. The UPS Policy Book provides guidance on this topic.

We negotiate fairly with labor unions for reasonable wage rates and working conditions. These negotiations should give due consideration to our unique operations and enable us to maintain the flexibility and efficiency needed to remain competitive. We respect and fulfill the terms of our labor agreements. We also expect union leaders and members to cooperate in fulfilling the terms of such agreements. Per our collective bargaining agreement with the International Brotherhood of Teamsters covered under the UPS National Master Agreement, the minimum notice period regarding significant operational changes is at least 45 days prior to the change.



Diversity (cont.)

Supplier Diversity

Formally launched in 1992, the UPS Supplier Diversity Initiative is committed to providing business opportunities to diverse suppliers. In 2007, UPS awarded US\$557 million to small businesses and US\$619 million to minority- and women-owned businesses.

While our commitment thus far has been significant, there is more to be done. We are currently working to improve the level of engagement in the Supplier Diversity Process throughout our business units worldwide.

UPS is an active member in many diverse organizations and agencies, including:

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

As a result of our commitment to support, strengthen and enhance diverse suppliers, UPS received the following awards in 2007:

- America's Top Corporations for Women's Business Enterprises — Women Business Enterprise National Council
- Corporation of the Year — Georgia Indo-American Chamber of Commerce
- Corporation of the Year — Georgia Minority Supplier Development Council
- Corporation of the Year — Kentucky Minority Supplier Development Council
- Corporation of the Year — National Minority Supplier Development Council

[Learn more about the UPS Supplier Diversity Program](#)

Diversity (cont.)

UPS Makes the Following Pledge to Each and Every Small, Minority- and Woman-Owned Vendor We Do Business With:

- We will have designated people at the corporate, region and district levels to assume the responsibility for reviewing the business opportunities for your company's products and/or services.
- We will work with potential suppliers who qualify to do business with UPS and help them meet UPS's product specifications as well as ensure that the suppliers meet our quality, cost and delivery objectives.
- Once we receive the supplier application and certification, we will review them as quickly as possible and inform potential suppliers of their status.



Employee Health and Safety

Since our company's beginning in 1907, safety has been a priority. UPS put safety guidelines in place for the company's bicycle messengers and then for drivers of the Ford Model T. The company's first defensive driver handbook was created in 1917.

Because of the physical nature of many UPS jobs, safety is a significant challenge and a core value. Many of the positions in our operations — sorting, loading and delivering packages — involve physical labor. As a result, we dedicate significant resources to keeping our employees safe and healthy.

These resources generally fall into two categories: training and operations. Training is the cornerstone of safety in UPS's global operations. We invest more than US\$73 million per year on safety training and nearly 1.7 million hours of safety training for employees, including 54 different formal UPS safety-training courses. On the operations front, we have invested more than US\$190 million in safety-related initiatives over the past five years, including new equipment and modifications to facilities.

As a result, in 2007, UPS was awarded one of the highest honors in the area of safety — the National Safety Council's Green Cross for Safety Award. The honor is particularly noteworthy because even as the company's ranks have grown to over 425,000, it has reduced injuries by over 60 percent in the last five years. The award honored UPS for its leadership in protecting the health and safety of its people.

From the UPS Policy Book:

The safety of our people and of the general public is of utmost importance to us. We train our people to avoid injury to themselves and others in all phases of their work. We do not tolerate unsafe work practices.

We encourage the involvement of all our people in safety awareness activities and give recognition to employees for safety accomplishments. We all are committed to fostering the most effective safe practices in all our work.

By meeting our own high safety standards, we will be contributing to the well-being of our people, our company and the communities we serve.



Employee Health and Safety (cont.)

Primary Safety Initiatives

Comprehensive Health and Safety Process (CHSP): The CHSP was developed in 1995 to directly involve first-line employees in improving health and safety methods. There are now more than 2,900 CHSP committees at UPS facilities worldwide. The committees consist of union and non-union employees, supported by non-management and management co-chairs, who together conduct facility and equipment audits, perform job hazard and behavior analysis, conduct injury investigations, conduct training and recommend work process changes. Between 1996 and 2007, CHSP helped reduce lost-time injuries by 83 percent.

Approximately 1 percent of UPS's total workforce is represented in formal joint management-worker health and safety committees. Each committee has a Wellness Champion who partners with the occupational health management to help promote healthy lifestyles and disease prevention. All committees have access to a comprehensive health guide with monthly health topics.

Facility and Equipment Improvements: Design improvements have been made by UPS engineers to the company's buildings, vehicles and equipment. Some of these improvements include: widening the doors in our delivery vehicles; redesigning hand trucks and hand-held computers used by drivers to make them more user friendly; and improving the layout of new buildings to include "no lift" work areas where packages are pushed or pulled instead of lifted.

Safe Driving: UPS drivers are among the safest on the road. Our 104,000 drivers worldwide log more than 2 billion miles a year and average less than one reportable accident per million miles driven. We have certified management trainers who educate drivers on an annual and periodic basis. UPS tractor-trailer drivers receive 80 hours of classroom and on-the-road training before operating equipment. Package car drivers undergo an intensive six-day training program, including 20 hours of behind-the-wheel and classroom training, plus periodic training rides through their evaluation period. UPS drivers globally receive annual safety training rides and follow-up training in the event of an avoidable accident.

[Learn about the UPS safe-driving methods](#)

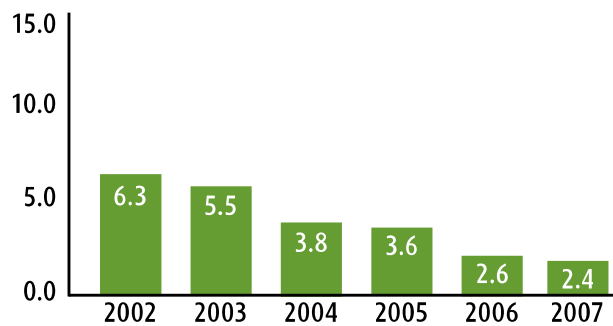
Employee Health and Safety (cont.)

These programs have helped improve our safety results. Nevertheless, this area remains a significant challenge, and we have established aggressive goals for further reducing auto accidents and injuries. In UPS operations, there are two primary safety measurements: *lost-time injuries* and *auto accident frequency*.

Lost-Time Injuries per 200,000 Hours

This measurement reflects the injury rate per 200,000 hours on an annual basis.

KPI Global — Lost-Time Injuries per 200,000 Hours



2007 Goal **GOAL ACHIEVED**

To reduce lost-time injury frequency globally to 3.2.

We are pleased to report we have surpassed this 2007 safety goal. In addition, we further reduced the number of lost-time injuries per 200,000 hours by 8 percent in 2007. During the same time, the number of UPS Supply Chain Solutions® injuries was reduced by 16 percent, establishing a lost-time injury frequency of 1.2, which is well below the industry average of 2.2.

Company-wide, the lost-time injury frequency has decreased 81 percent since 2000.

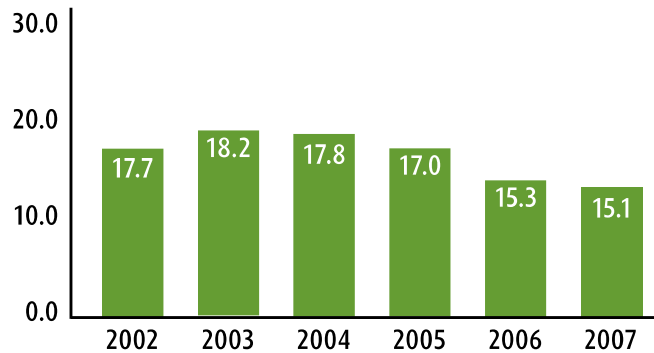
Employee Health and Safety (cont.)

Auto Accident Frequency per 100,000 Driver Hours

2007 Goal **GOAL ACHIEVED**

Reduce auto accident frequency worldwide to 15.2 per 100,000 driver hours.

KPI Global — Auto Accident Frequency per 100,000 Driver Hours



UPS is proud to announce we achieved this safety goal. In 2007, our auto accident frequency decreased from 15.3 to 15.1. We also are proud to report that over the last six years, we have achieved a 14.8 percent improvement in auto accident frequencies worldwide. UPS leads the industry in safe-driving records. Safety is a way of life at UPS and a critical operational value.

Despite our safety initiatives, controls and procedures, there were 16 fatal employee auto accidents globally in 2007. All accidents and injuries require an in-depth investigation to identify the root cause. The results of those investigations are used to examine what can be done to prevent accidents in the future.

UPS measures auto accident frequency per 100,000 driver hours rather than per million miles driven as a KPI. This is because our drivers operate in very different conditions than long-haul truckers. We operate in heavily congested commercial and residential areas as well as in remote locations. Normalizing accident frequency per 100,000 hours of driver time more accurately reflects the nature of our operations.

In addition, we report all auto accidents, not just those deemed reportable by government agencies, such as the U.S. Department of Transportation.



Employee Health and Safety (cont.)

In 2007, the focus on workforce health and safety continued through the implementation of the following initiatives:

- A pilot driver-training program called UPS IntegradSM focuses on using technology (see example pictured left) to provide more effective training for the newest generation of drivers. The program was developed in part through a grant from the U.S. Department of Labor with the participation of experts from MIT and Virginia Tech.

To learn more about UPS Integrad training, read the FORTUNE magazine article, "The Making of a UPS Driver."

- **Safety Zones:** Provide an appropriate environment for safety training and awareness and promotion of healthy lifestyles in UPS facilities.
- The Employee Relations Index (ERI), a subset of questions contained in the annual Employee Opinion Survey, identifies and gauges the satisfaction of our people. The Health & Safety Factor Index (HSFI) extracts nine questions from the ERI to measure the employee perception of safety within the UPS work environment. The overall HSFI rating improved a full percent in 2007 to 82 percent.
- **Safety Steering Councils** — Consisting of cross-functional, high-level management, councils are held at the corporate, regional and local operational levels to review safety results and plan future strategy.

Ongoing Programs:

- Global implementation of rear-vision cameras on vehicles
- Reinforcement and implementation of CHSP in our global operations
- Training on proper work methods
- Implementation of behavior-based safety training
- Facility and vehicle improvements
- "Safety First" — Places safety high on UPS value structure
- "Safety By Choice, Not By Chance" — Promotes personal responsibility for one's choices to perform tasks safely at work and at home.
- "Expectation Zero" — Emphasizes zero accidents and injuries. Employees are recognized for achieving safety milestones.

Employee Feedback

In this section, we share statistics from our annual Employee Opinion Survey, which is conducted on a global basis. Information from this survey helps us identify issues that need attention as well as programs that are working.

Two-way communication is a hallmark of UPS's culture — we know that our ability to improve as a company is directly tied to employee feedback. To encourage communication, we address each other on a first-name basis (from the Chairman and CEO to the first-line employee), and we have an open-door policy, which ensures any employee can express concerns to or receive guidance from any manager.

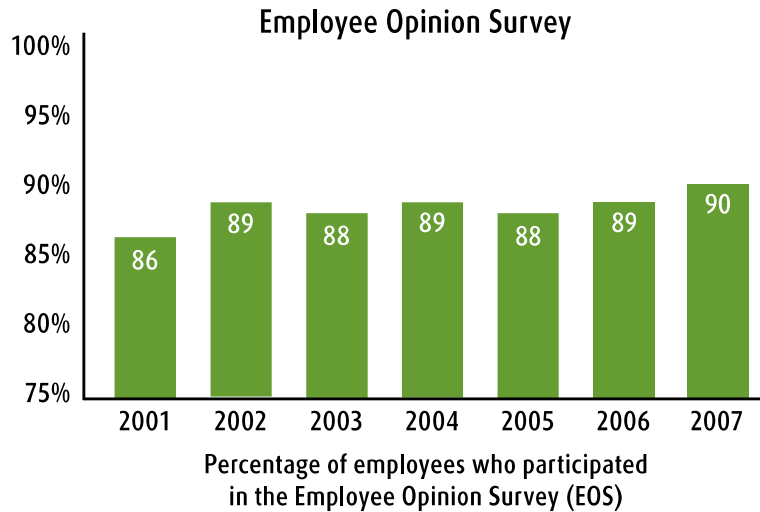
Formal mechanisms, like our Employee Dispute Resolution (EDR) Program in the Americas, are also in place. The EDR Program is designed to assist employees in resolving problems in the workplace in a fashion that is reasonable, timely and fair.



Employee Feedback (cont.)

2007 Goal

Increase the global employee participation rate to 95 percent.



We did not achieve our goal in 2007. Participation in the Employee Opinion Survey (EOS) is completely voluntary. Therefore, our goal of 95 is aspirational in nature — we afford 100 percent of our employees the opportunity to participate in the survey so their opinions are heard and acted upon. During 2007, 90 percent of our employees participated in the survey, more than previous years.

Initiatives:

- Employee communication
- Leverage technology to ensure ease of use
- Respond effectively each year to concerns identified in the survey through local committees

Employee Opinion Survey

Since 1983, we have conducted an Employee Opinion Survey (EOS). The annual EOS is a voluntary and anonymous way for employees to communicate their opinions and concerns. The objectives of the EOS are:

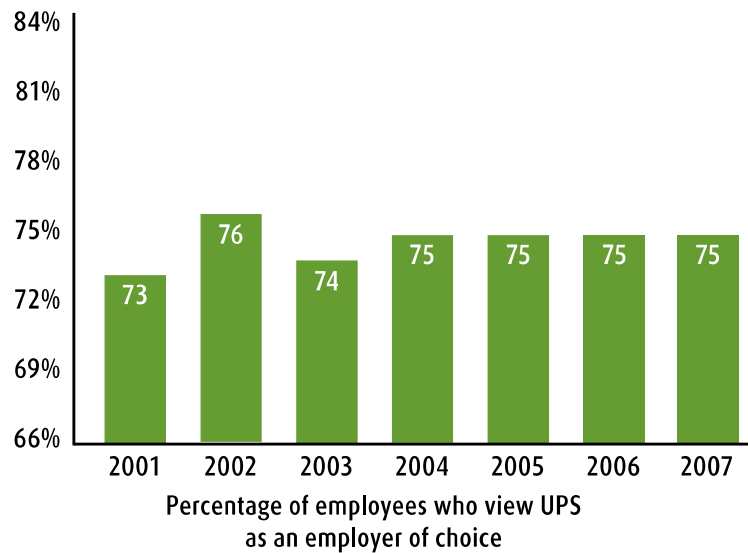
- To help create a positive, customer-focused workforce
- To identify areas of concern so that improvements may be made
- To provide feedback to management on employee relations issues
- To assist the organization in achieving its business goals

Employee Feedback (cont.)

Employer of Choice Index

The Employer of Choice Index (ECI) is a subset of 20 questions contained in the Employee Opinion Survey. The ECI focuses on concepts, such as career opportunities, workplace flexibility initiatives and benefits that affect how we attract, retain and motivate employees. The results are used by senior management to evaluate company initiatives, to highlight successful programs and to identify the need for changes or for new programs that will enable UPS to continue to be an employer of choice.

KPI Employer of Choice Index



2007 Goal

Achieve an 80 percent favorable rating among our employees.

UPS did not achieve this goal in 2007. UPS has implemented several programs to ensure we maintain our status as an employer of choice, including expanded training, renewed focus on career development discussions with all employees and enhanced programs to recognize years of service.



Employee Feedback (cont.)

Initiatives:

- In 2007, UPS deployed a Women's Leadership Development program across the United States and Canada. Initiated to address the attraction, development and retention of women in the workplace, the program seeks to provide connections through networking, mentoring, education and community-based involvement.
- UPS expanded the availability of its online healthcare tools, which include health coaching to approximately 300,000 U.S.-based employees and their family members. Additionally, the company launched a free smoking cessation program for employees and their family members through its [*UPS Healthy Connections – Informed Choices Program*](#).

Ongoing Initiatives:

- UPS Healthy Connections – Informed Choices provides access to health information, health-decision support tools and valuable health resources that empower employees while offering the personalized support of health professionals to those who need it most.
- Action plans developed by employee relations committees to address issues identified by surveyed employees
- Competitive compensation and benefit plans
- Enhanced recognition programs to reward years of employment
- Tuition reimbursement
- Continued benefits for up to 12 months for U.S. military reserve employees called to active duty

Community Engagement

Throughout our history, UPS has recognized the company's responsibility to support the communities we serve. Only when our communities are healthy and sustainable can our employees and our business reach their full potential.

This core belief was formalized in 1951 with the establishment of The 1907 Foundation, today known as The UPS Foundation. In addition to guiding and administering local grants around the world, The UPS Foundation is responsible for developing the company's giving strategy and the signature giving programs.

Because UPS provides service to homes and businesses in 200 countries and territories worldwide, we see the needs in many communities. Our employees' input has shaped the company's philanthropic approach profoundly. The desire to make a tangible difference in communities extends company-wide and drives our belief that individual participation is just as important as writing a check. We encourage grants and donations along with employee volunteerism.

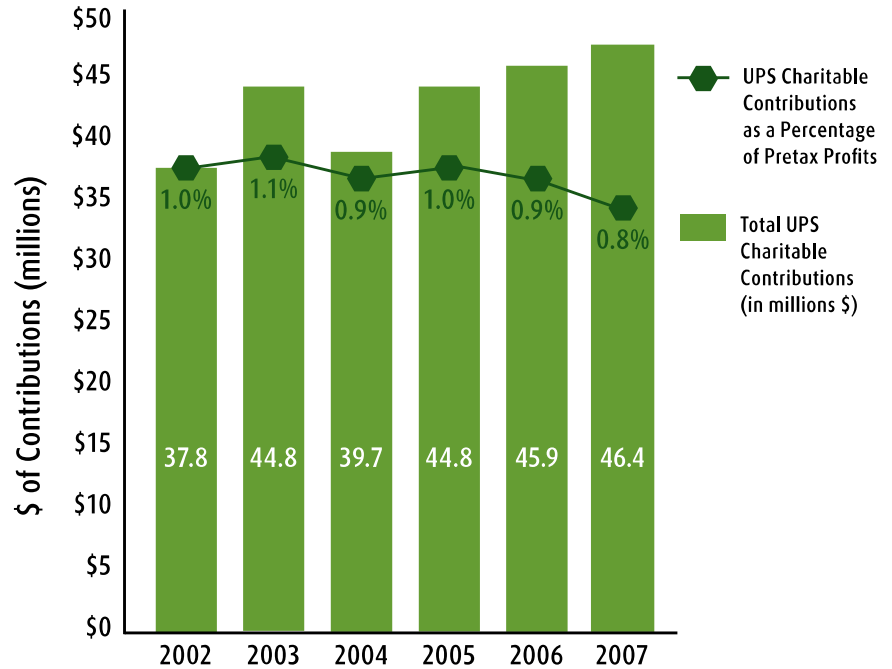
In this section, we present the corporate philanthropic goal, The UPS Foundation's strategic direction and community projects and initiatives.



Community Engagement (cont.)

The UPS Foundation

KPI Global — Total UPS Charitable Contributions



2007 Goal

To maintain philanthropic contributions at a five-year trailing average of 1 percent of adjusted profit before interest and taxes.

In 2007, The UPS Foundation's global contributions totaled US\$46.4 million. Combined with our United Way employee contribution of US\$51.5 million, our total community impact was US\$97.9 million.

We did not achieve our goal of contributing 1 percent of adjusted profit before interest and taxes during 2007. Although, we have steadily increased our giving each year, our financial base grew at a faster rate due to acquisitions and company growth. Between 2002 and 2007, our contributions grew at a compound annual growth rate of 4.2 percent from the US\$37.8 million contributed in 2002.

Community Engagement (cont.)



Global Philanthropy Initiatives

In support of UPS's global philanthropy strategy, in 2007 UPS continued to identify and work with organizations around the world that can effectively manage contributions and deliver results.

Since launching its global philanthropy program in 2004, The UPS Foundation has invested US\$37.6 million in charitable activities beyond the borders of the United States, funding US\$4.6 million in 2007, which represents 10 percent of The UPS Foundation's total charitable giving.

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

Community Engagement (cont.)

Foundation Strategic Direction

In 2007, The UPS Foundation approved a plan to realign its global strategy to strengthen its impact and better leverage the intellectual and physical assets of the company. Beginning in 2008, The Foundation's five focus areas are Community Safety, Nonprofit Effectiveness, Economic and Global Literacy, Environmental Sustainability and Diversity. Each of these build on UPS's rich experience and align with the company's vision for the future.

Community Safety

The UPS Foundation deploys programs that build on UPS expertise to help improve community safety. This ranges from providing teenagers with driver safety training to providing network planning to disaster relief organizations.

Nonprofit Effectiveness

The UPS Foundation has a long-standing commitment to help nonprofit organizations operate more effectively and efficiently so they may strengthen the impact of the valuable services they provide to communities. This includes volunteer management, leadership development, social enterprise and capacity building through new technology.

Economic and Global Literacy

Improving economic literacy in communities through programming that teaches the fundamentals of free enterprise and the foundations of economic education are the focus of this initiative. The UPS Foundation also supports emerging entrepreneurs through grants to innovative micro-enterprise organizations.

Environmental Sustainability

From addressing the many impacts of climate change to the challenges of reducing energy consumption, it's clear that the protection and conservation of our natural world is a shared responsibility. While The UPS Foundation's role in this area is emerging, its objective is to support organizations and programs that lead to lasting change.

Diversity

UPS understands that diversity encompasses more than race and gender. It extends to the full myriad of topics ranging from ethnicity to sexual orientation to physical ability. The company's goal is to help communities thrive by embracing and leveraging the unique experiences, cultures and ideas.

Community Engagement (cont.)

Disaster Relief Aid

The work of The UPS Foundation brings together UPS expertise and philanthropic dollars to improve the safety of communities and the effectiveness of organizations committed to assisting them in times of need.

In 2007, The UPS Foundation provided the following support of global relief efforts:

- Over US\$1.3 million in support of global disaster relief organizations such as Atlanta-based CARE. UPS support to the Emergency Transportation Shipping Fund enabled CARE to respond effectively to emergency relief efforts in Angola, Cambodia, Haiti, Kosovo, Lebanon, Nicaragua, Sudan and Vietnam.
- A two-year, US\$2 million grant to the Aidmatrix Foundation to develop a national in-kind donation management system that connects product donors with national disaster relief agencies in times of emergency.
- In-kind donations totaling more than US\$1 million in support of relief efforts for wildfires in California and Greece, floods in Mexico, an earthquake in Peru and monsoons in Southeast Asia.

The Foundation also deployed several UPS employees to provide logistical expertise to support organizations that provide emergency humanitarian aid such as CARE, the U.S. Federal Emergency Management Agency (FEMA) and the United Nation's Global Logistics Cluster.



Community Engagement (cont.)

It was a year of reflection and celebration as 2007 marked the Centennial anniversary for UPS. A focus on community was integrated into the year-long celebration and was highlighted by a significant community improvement event in Seattle and the awarding of US\$1 million in Centennial Grants.

Seattle School Project

As part of our centennial celebration, a volunteer event took place in south Seattle, the city where UPS first began operations in 1907. More than 450 UPS employees and retirees, including the company's most senior managers, joined together at Aki Kurose Middle School and Brighton Playfield for the service project. Part of the project was the creation of a science park, which included structural elements and other interactive recreational activities designed to stimulate children's interest in science.

Over the course of the day, the UPS team painted 122,800 square feet, laid 7,200 square feet of gravel, beautified more than 13 acres of park area and restored ball fields; playgrounds; and tennis and basketball courts.

Centennial Grants

In honor of its birthday, UPS created a Centennial Grants Fund and awarded US\$1 million to three global micro-lending organizations. The funds will be used to support programs for entrepreneurs on three continents, including loans to grow small business. Recipients include:

Opportunity International, which will make loans to new clients in 15 countries. The grant will help nearly 5,000 poor entrepreneurs and impact more than 37,000 lives. ACCION International will use funds to give people the tools they need to work their way out of poverty. Working with partners in 25 countries, ACCION International will help to extend innovative, efficient and commercially viable financial services to more of the world's poor, especially in high-population countries, such as Brazil and Mexico.

The third recipient is FINCA International. The UPS grant will ensure that an estimated 1,400 micro entrepreneurs, in the 21 countries that make up FINCA International's global network of microfinance service providers, receive their first loans.

UPS Collaborates to Build a Wave of Support

For UPS Manager Michael Thomas, the broken contents of an August 2007 World Food Programme shipment were heartbreaking.

Thomas had joined U.N. aid workers to deliver food to families on Simeulue Island, approximately 100 miles off the coast of Indonesia's tsunami-ravaged Aceh province. The island's 85,000 residents are recovering from twin disasters: the 2004 Indian Ocean tsunami and an 8.7 magnitude earthquake — one of the world's largest — that followed just three months later.

Thomas and the U.N. workers were delivering boxes of biscuits to the island's children, whose faces lit up when they arrived.

Thomas realized then how much his and others' experience in the transportation and logistics industries could help people when they need it most. He and peers from logistics companies TNT and Agility were at the forefront of a new collaboration to help the humanitarian sector manage the logistics of emergency response to large-scale natural disasters. Called Logistics Emergency Teams (LETs), the groups are slated to intervene during the first three to six weeks after natural disasters, providing support including managing warehouses and transporting and distributing supplies around the globe.



UPS Collaborates to Build a Wave of Support (cont.)



Thomas's month-long field assignment with the U.N. World Food Programme in Indonesia was the first major step of the LETs program. Representatives from the three logistics companies received on-the-ground training in humanitarian relief efforts and studied how the logistics industry can be of greatest assistance when natural disasters strike.

"The LETs program presents an incredible opportunity to bring the full weight of the logistics industry to bear at a time when lives are in the balance," said Dan Brutto, President, UPS International. "Even though we may be competitors in the business world, we can work together for the good of humanity."

During his time in Indonesia, Thomas learned about local logistics needs. The team helped assess road, port and airport conditions and taught aid workers best practices for warehouse safety and how to package goods to minimize damages. The UPS Foundation has committed to participate in future LETs that will be sent in immediately after a natural disaster to provide on-site expertise and to make recommendations about

how company assets and services can be best utilized to help.

Indonesia was chosen as the site for the pilot LETs assignment because its geography of colliding tectonic plates, active volcanoes and heavy monsoons makes the nation vulnerable to natural disasters.

Three years after the tsunami, much of Indonesia's Aceh province still relies on humanitarian aid to rebuild.

"People who are leading the humanitarian efforts there are giving their lives to helping Aceh rebuild," Thomas said. "They live without running water, across the world from their loved ones.



I feel very privileged to have the opportunity to play a small role to help them, and I hope this seed we put in the ground as an organization will begin to build a legacy of helping people in need."

Community Engagement (cont.)

The UPS Neighbor to Neighbor Program

UPS employees around the world collectively donate hundreds of thousands of hours each year to philanthropic causes in their local communities through the UPS Neighbor to Neighbor program. In 2007, volunteers logged more than 1 million hours worldwide through this program.



UPS Global Volunteer Week

UPS's Global Volunteer Week is an extension of the company's long-standing commitment to volunteerism and actually marks the culmination of volunteer work performed by employees all year long through UPS's global volunteer program, Neighbor to Neighbor.

The number of UPS employees participating in Global Volunteer Week has grown from 1,000 to more than 16,000 in just five years.

UPS launched its first Global Volunteer Week in 2003. The initial program was so well received by employees that the second annual Global Volunteer Week, in October 2004, included triple the number of volunteers and volunteer hours of the inaugural year.

More than 3,500 UPS employees volunteered more than 15,000 hours around the world during the 2004 event. In 2007, more than 16,000 employees donated approximately 136,500 hours on more than 2,500 service projects in more than 50 countries around the globe.



Community Engagement (cont.)

United Way

UPS supports United Way and its agencies throughout Canada, Mexico, Puerto Rico and the United States. Our 2007 contribution of US\$59.5 million marked the seventh consecutive year in which UPS was the largest corporate contributor to the United Way. More than 247,000 employees participated in the campaign, pledging US\$51.5 million, and the company contributed approximately US\$8 million.

Community Internship Program

Founded in 1968, the Community Internship Program (CIP) is an intense management training course designed to immerse senior-level executives in the community, exposing them to a variety of social and economic challenges facing today's workforce. While in the program, managers leave their jobs and families to spend a month living and working in one of four CIP sites run by local non-profit agencies. Internship sites are located in New York, N.Y.; Chattanooga, Tenn.; McAllen, Tex.; and San Francisco, Calif. Since the program's inception, over 1,400 executives have participated in the program.

CIP aids UPS in developing and strengthening its managers, while helping to improve the communities where our employees live and work. After completing four weeks of "hands-on" community service and learning projects, UPS managers leave with a sense of accomplishment, community involvement and with a greater sensitivity to those less fortunate.

[Learn more about the UPS Community Internship Program](#)



Community Engagement (cont.)

The UPS Store® and Mail Boxes Etc.®

The UPS Store and Mail Boxes Etc. locations together comprise the world's largest franchise network of retail shipping, postal and business service centers. With more than 5,900 locations in 40 countries around the world, we see firsthand the needs of those communities.

While many of our stores engage in community activities specific to their location, the Toys for Tots initiative was executed across a broad number of The UPS Store and Mail Boxes Etc. locations in the United States in 2007.

As a national Toys for Tots sponsor since 2005, The UPS Store and Mail Boxes Etc. network has raised more than US\$1.3 million for the Marine Toys for Tots Foundation through corporate contributions and local fund drives. In-store donations stayed within local communities to benefit underprivileged children in those areas.



Conclusion

As our business continues to grow globally, we face many challenges, including preventing workplace injuries and reducing part-time turnover. However, UPS has been in business for a century because we've backed our words with action and opportunities for employees, customers, suppliers and communities. Our strong culture and values will continue to guide our efforts as we develop plans to address each challenge to provide the most benefit to our stakeholders.





ENVIRONMENTAL



OPERATING IN UNISON

2007
UPS Corporate
Sustainability Report

Published August 2008

ON THE COVER

A group of UPS employees use slingshots to catapult tree seeds during a volunteer activity in Thailand. Working in conjunction with The Moon in the Rabbit Foundation, the goal is to help afforest a landscape in Ratchaburi.

Greening the Supply Chain

As the world's largest package delivery company, UPS delivers 15.8 million packages daily.

We serve our customers with a network that operates in unison with our environmental objectives — one that is unique in our industry. As one of the largest users of intermodal transport in the world, we move goods by ship, rail, aircraft and truck. This flexibility allows us to address customers' needs for cost-effectiveness and speed.

Throughout our history, the concept of consolidated delivery has served to conserve resources. Our current network minimizes environmental impact through the ability to move air product by ground and ground product by rail, producing significant reductions in energy use, fuel consumption and emissions. The sophistication of our network allows us to use environmentally efficient modes of transport and still make on-time deliveries for customers. Using advanced route planning software minimizes miles on drivers' daily routes. Fewer miles traveled reduces our fuel use and emissions.

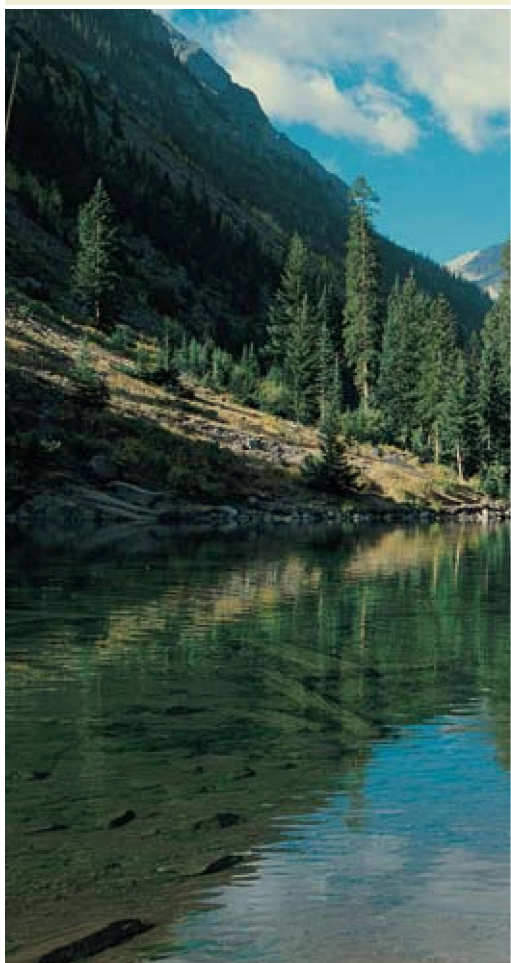
With a global fleet of nearly 100,000 vehicles, more than 3,000 facilities and the ninth largest airline worldwide, UPS faces significant challenges to reduce our environmental impact. We take those challenges seriously and have identified specific goals for the company. At the same time, we are working to advance new industry technologies to reduce emissions and conserve energy. Most importantly, environmental concerns are a core part of UPS's daily activities and engineering processes.



Environmental Statement

We conduct our business and operations with consideration for their environmental impact. Our responsibility for the environment ranges from the construction, maintenance and operation of our facilities, to the maintenance and operation of our vehicles and aircraft, to the conservation of resources.

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





UPS Corporate Climate Change Statement

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

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

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

Our plan includes:

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

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

UPS Corporate Climate Change Statement (cont.)

Specific ongoing programs yielding both operational and environmental results are:

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

We will continue to improve our operating efficiency, which is one of the most significant ways we reduce our energy and fuel use.

These actions are just a partial list of our efforts to reduce our greenhouse gas emissions and our dependency on fossil fuel. We report our progress annually in our sustainability report (www.sustainability.ups.com). Additional information is on our community website (www.community.ups.com).

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



Scott Davis
Chairman and CEO

Fuel Use and Emissions

Managing fuel consumption and greenhouse gas emissions is paramount to reducing the effects of human-induced climate change.

The movement of 15.8 million packages around the world each day requires operating large ground and air fleets. Therefore, reducing fuel use and emissions is a constant priority and challenge. Our long-term goal is to reduce our dependence on fossil fuels by improving operational efficiencies and advancing new technologies. That's why we combine a series of best practices that conserve fuel, use technology throughout our air and ground operations, and operate the largest private green fleet in the transportation industry.

Ground Fleet

UPS operates nearly 100,000 ground vehicles worldwide. The company's ground fleet strategy is to take a leadership role in advancing the development of future generations of our ground fleet vehicles that significantly reduce fossil fuel consumption and emissions.

This strategy has two specific practical applications. In the short term, as older vehicles are retired, they are replaced with fuel-efficient vehicles including alternative-fuel vehicles. In the long term, we are working toward reduced dependence on fossil fuels.





Fuel Use and Emissions (cont.)

As of year-end 2007, the company operated 25,900 low-emission vehicles worldwide. That number will continue to rise as older delivery vehicles reach the end of their life cycles and are replaced with newer, more efficient ones.

[Explore a 3-D Package Car](#)

Managing our Ground Fleet

Leading-edge technology keeps our delivery fleet in top form. Through careful route planning and world-class maintenance standards, our automotive engineering experts are dedicated to economizing fuel use and minimizing emissions.

- **Automotive Information System (AIS):** UPS's proprietary Automotive Information System is a sophisticated matrix that notifies mechanics when a specific vehicle should undergo a preventive maintenance inspection. AIS removes the guesswork in planning labor for vehicle repairs, maintaining parts inventory and estimating fuel usage, allowing engineers to monitor trends and constantly refine methods and specifications.
- **Preventive Maintenance Inspections (PMIs):** UPS keeps its delivery fleet in top condition through PMIs. Our mechanics perform a PMI based on information in our AIS, such as miles driven, days of service and engine type for each vehicle. The PMI process is tailored to each individual vehicle, and it ensures peak performance through better fuel economy and lower emissions. In fact, our PMI process has been so effective that other companies and government agencies have consulted with UPS's automotive engineers and adopted some of our maintenance procedures.
- **Fuel-Conservation Program:** UPS has a fuel-conservation committee that examines the way we use fuel throughout our ground fleet. This brings together individuals in the company working on different initiatives for a more comprehensive approach to reducing fuel use and emissions. Technology, engineering solutions and employee engagement are key components of this program.



Fuel Use and Emissions (cont.)

UPS has developed a proprietary program to optimize the vehicles selected for individual routes based on factors that affect fuel consumption. Additionally, the company works with vehicle manufacturers to specify its ground fleet equipment. We partner with these companies to conduct aerodynamic design testing, fuel efficiency studies, and other modifications that impact our transportation equipment and its environmental footprint. We also look for additional ways to use technology, such as telematics, to conserve fuel. Telematics, the use of technology to collect and analyze data from delivery trucks, can help us train our drivers to operate vehicles in a more fuel-efficient way and enable our mechanics and technicians to maintain the fleet more effectively.

Employee awareness and training create opportunities to reduce fuel and emissions. The fuel-conservation committee also is focused on developing and promoting conservation initiatives for UPS employees. This includes carpooling and other programs to help our workforce be more sustainable in their personal lives as well as at work.

[*Learn more about how UPS uses technology to reduce fuel use and emissions*](#)

Alternative-Fuel Fleet Overview

Fuel conservation has been a priority at UPS since the early days of the company. In the 1930s, UPS pioneered the use of electric-powered vehicles in New York City, beginning the company's legacy of pursuing cleaner and more efficient alternative fuels. Through the years, countless resources and time have been devoted to numerous programs and technologies to help us meet our goal of increased fuel efficiency.

Today, UPS operates the largest private alternative-fuel fleet in the transportation industry, including hybrid electric, electric, compressed natural gas, liquefied natural gas and propane vehicles.

We have invested over US\$20 million to deploy significant numbers of alternative-fuel vehicles in our fleet. While maintaining our current alternative-fuel vehicles, we are also working with manufacturers, government agencies and non-profit organizations to advance new fuel technologies.

UPS developed and employs a “rolling laboratory” philosophy — using its alternative-fuel fleet as a way to learn about how new technologies and advancements can be adapted for use in a large delivery fleet.



Fuel Use and Emissions (cont.)

As of year-end 2007, UPS operated the largest private alternative-fuel vehicle fleet in the entire transportation industry with more than 1,629 such vehicles. During 2007, our alternative fuel fleet continued to grow. We deployed 50 hybrid electric delivery vehicles, tested a hydraulic hybrid delivery vehicle in partnership with the Environmental Protection Agency (EPA) and others, and purchased 139 propane vehicles and 167 Compressed Natural Gas vehicles.

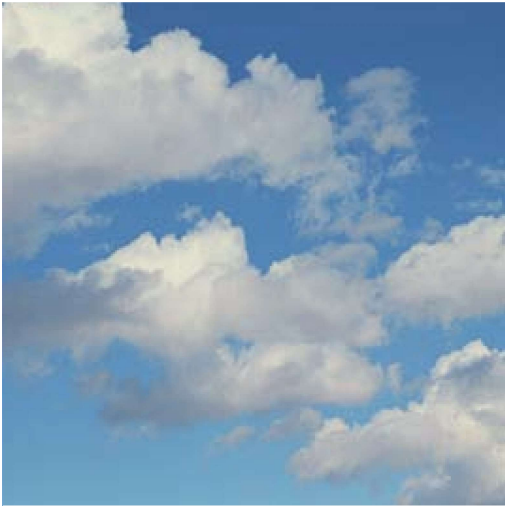
Last year, UPS's global fleet of alternative-fuel vehicles traveled more than 18 million miles making deliveries around the world. Since just 2000, our alternative-fuel fleet has traveled more than 144 million miles. While our green fleet dates back to the 1930s, UPS did not isolate alternative-fuel miles driven prior to 2000.

Alternative-Fuel Fleet

[Learn more about UPS and alternative fuels](#)

Hybrid Electric Vehicles (HEVs): UPS was the first package delivery company to introduce HEVs into daily operations with a research program that began in 1998. In 2000, we deployed a hybrid electric vehicle in Huntsville, Ala. As part of this test, UPS successfully used the energy stored in this vehicle to provide 80 percent of the electricity needed to power the local sorting facility's conveyor system and lights. UPS deployed a second-generation HEV that operated in Kalamazoo, Mich., for several months during 2004. In 2007, we deployed 50 next-generation HEVs. Those vehicles promise a 30 percent improvement in fuel economy over the vehicles they are replacing and collectively will save 24,400 gallons of fuel annually, which is expected to reduce CO₂ emissions by 236 metric tonnes each year.

HEV technology offers significant potential to dramatically decrease emissions and fuel consumption by primarily operating on batteries and electric drive motors.



Fuel Use and Emissions (cont.)

Hydraulic Hybrid Vehicles: During 2007, the U.S. Environmental Protection Agency and others tested the world's first full-series hydraulic hybrid delivery truck. UPS determined this technology achieved a 35-45 percent improvement in fuel economy over a conventional delivery vehicle during the on-road testing.

[Learn more about hydraulic hybrid technology](#)

Compressed Natural Gas (CNG) Vehicles: UPS has one of the largest private fleets of CNG vehicles with 718 operating in Brazil, France, Germany and the United States. In 2007, UPS purchased 167 additional CNG vehicles for its U.S. delivery fleet.

UPS began extensively testing CNG in 1989 to assess its benefits and viability as an alternative fuel. The results have been impressive: particulate emissions are 95 percent lower than with diesel engines; carbon monoxide emissions are 75 percent lower; and emissions of nitrogen oxides are 49 percent lower than the vehicles they replaced.

Propane-Powered Vehicles: We operate 691 propane delivery vehicles in Canada and in Mexico. In 2007, the company purchased an additional 139 propane-powered vehicles. The deployment of these vehicles means 34 percent of UPS's package delivery fleet in Canada and Mexico runs on cleaner alternative fuels.

Propane vehicles emit about one-third fewer reactive organic gases than gasoline-fueled vehicles. Nitrogen oxide and carbon monoxide emissions are also 20 percent and 60 percent less than conventional vehicles.

Liquefied Natural Gas Tractors (LNG): UPS was the first in the package delivery industry to introduce alternative-fuel tractors into its fleet. Currently, 11 LNG tractors operate in our West Coast fleet, hauling more than 31,000 packages a day. Because of its density, LNG is a viable alternative-fuel source for large trucks that need to go long distances before stopping to refuel.

Fuel Use and Emissions (cont.)

Zero-Emission Electric Vehicles: UPS operates two full-size electric package cars in Manhattan, N.Y. Additionally, UPS operated an electric package delivery car in Santiago, Chile, from 2001 to 2006. We also tested 13 zero-emission electric minivans in downtown Los Angeles, Calif. These vehicles had a range of 80 to 90 miles and were primarily used to make Next Day Air deliveries and pickups.

Fuel-Cell Vehicles: UPS was the first company to deploy a medium-duty, hydrogen-powered vehicle in North America. Our research began in 2003, when UPS deployed its first DaimlerChrysler Sprinter fuel-cell vehicle in Stuttgart, Germany. This vehicle was retired in 2004, and we deployed two additional fuel-cell vehicles with more advanced technology later that year. These two vehicles operated in Ontario, Calif., and Ann Arbor, Mich., through April 2007.

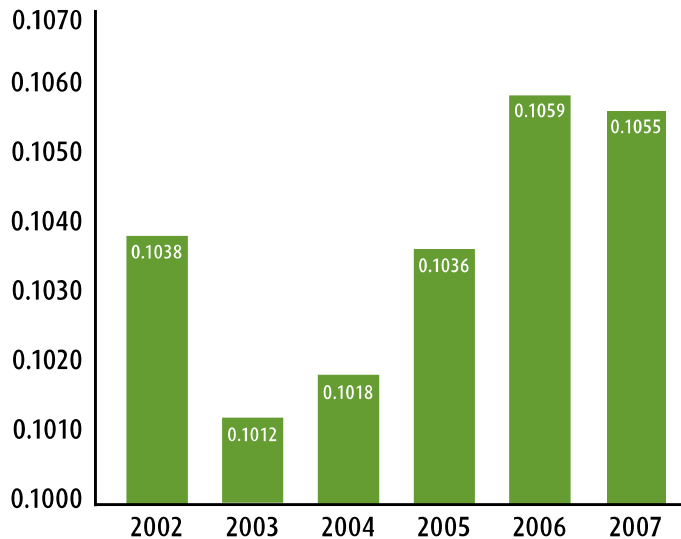
Fuel cells work by converting energy into electricity without combustion. Water vapor and heat are the only emissions produced.

Fuel Use and Emissions (cont.)

Fuel Consumption

UPS established a gallons-per-package measurement to chart progress in ground network fuel efficiency. It is calculated by dividing our total U.S. ground fuel consumption by total U.S. ground and air packages. Fuel consumption includes gas, diesel and CNG. It also includes fuel consumed by use of rail services. The results demonstrate our ability to be efficient in the gallons of fuel used per package delivered.

KPI Gallons per Package U.S. Package Operations



2007 Goal

Decrease gallons per package to 0.1008.

In 2007, fuel consumption per package improved 0.4 percent. We missed this goal because fuel use increased due to several factors:

- Time in transit and service enhancements require additional fuel use due to mode changes.
- Growth in online commerce changed our delivery distribution. Our volume has shifted from 80 percent commercial and 20 percent residential to 70 percent commercial and 30 percent residential. Residential deliveries require more driving.

UPS continues to aggressively pursue technologies and procedures that will reduce our fuel consumption and emissions.



Fuel Use and Emissions (cont.)

Ongoing Initiatives:

- Continuing to employ a “rolling laboratory” philosophy using its alternative-fuel fleet as a way to learn about how new technologies and advancements can be adapted for use in a large delivery fleet.
- In 2007, UPS, the U.S. EPA and others tested the world’s first hydraulic hybrid urban delivery vehicle.
- Additionally, we deployed 50 next-generation hybrid electric delivery vehicles that are collectively expected to save 24,400 gallons of fuel annually.
- Continuing the roll-out of Package Flow Technology, which features advanced geographic tools that allow us to analyze and edit dispatch plans to optimize delivery routes and times. During 2007, this technology enabled UPS to shave nearly 30 million miles off of already efficient delivery routes, reducing fuel use by 3 million gallons and emissions by 32,000 metric tonnes.
- Participating in the U.S. EPA’s SmartWay Transport Partnership, an initiative to reduce fuel use and emissions by shippers and carriers. UPS is a charter partner of this group and uses the SmartWay calculator tool to determine the CO₂ reductions we have achieved through our fuel conservation initiatives. In 2007, UPS showed a reduction of 3,069,674 tons of CO₂ as compared to a fleet that employs no emission reduction strategies. This number now includes Supply Chain and Freight, as well as the U.S. Package Operations.



Fuel Use and Emissions (cont.)

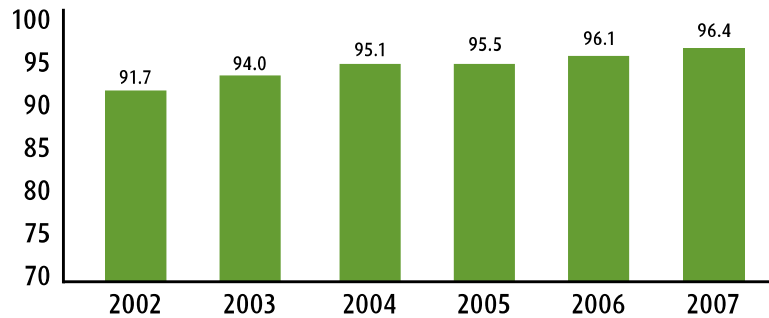
Air Fleet

UPS Airlines strives to reduce its impact on the environment by operating efficient aircraft and aggressively managing our aircraft operations. We support the development of economically responsible solutions that reduce the effect of air operations on the environment. These solutions include not only equipment design and configuration, but aircraft operating procedures and technology.

We operate the ninth largest airline in the world, and we continue to lead the industry in deploying noise and emission reduction technologies. Our strategy for purchasing aircraft focuses on managing operational costs and minimizing our environmental impact by flying a quiet, fuel-efficient and low-emission fleet.

Fuel Use and Emissions (cont.)

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



Compliance with ICAO's Noise and Emission Regulations

UPS's fleet of aircraft meets and exceeds the noise and emission reduction regulations established by the International Civil Aviation Organization (ICAO). We have consistently pursued a "beyond compliance" strategy to ensure a quiet and highly fuel-efficient air fleet. Instead of installing hush kits on our engines, in the mid-1990s UPS took a long-term, sustainable approach and replaced 100 percent of the engines in our 727-100 and DC-8 jet freighter fleet.

All new UPS aircraft must meet ICAO's Stage IV noise guidelines, which call for a 10-decibel reduction over Stage III. UPS is voluntarily applying this standard to its entire fleet — all UPS aircraft will meet Stage IV guidelines.

2007 Goal

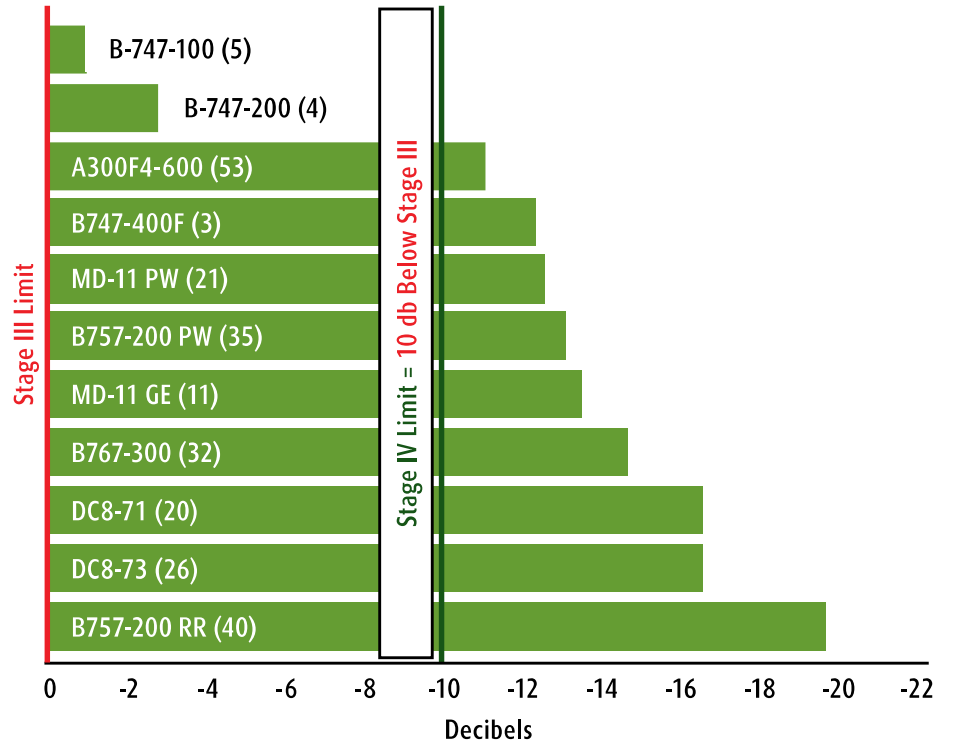
Increase the number of UPS aircraft that are Stage IV compliant to 97 percent.

In 2007, 96.4 percent of the UPS air fleet met Stage IV noise guidelines. UPS narrowly missed its 2007 goal because we retained some of our classic fleet (727s and 747s) longer than originally anticipated due to additional volume and flight needs. However, it's worth noting that during 2007 we retired 20 727-100s and acquired three new, highly efficient 747-400s.

Fuel Use and Emissions (cont.)

UPS buys aircraft that are highly efficient and environmentally friendly. The following graph describes the noise characteristics of each type of aircraft we purchase.

UPS Aircraft Noise Characteristics as Compared to ICAO Stage III and Stage IV Guidelines*



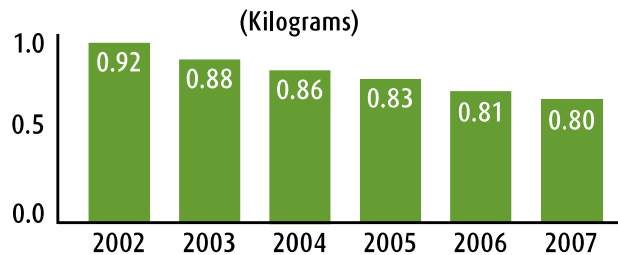
*UPS-owned and -leased aircraft by type, year-end 2007. Quantity of each in parentheses.

Fuel Use and Emissions (cont.)

Aircraft Emissions

Our aircraft engineers developed a measurement that links the amount of emissions produced by our aircraft with the number of packages the fleet can carry.

KPI Global — Aircraft Emissions per Payload Capacity



2007 Goal

Improve aircraft emissions per payload capacity to 0.77.

In 2007, UPS had 0.80 kilograms of aircraft emissions per 1,000 kilograms of payload capacity — an improvement of 1.2 percent over 2006.

We missed our 2007 goal because we retained some of our classic fleet (727s and 747s) longer than originally anticipated due to additional volume and flight needs. We did eventually retire 20 727-100s and acquired three new, highly efficient 747-400s.

Reducing Fuel Use Throughout UPS Airlines

UPS Airlines continually monitors fuel use. As a result, UPS is:

- reducing the amount of extra fuel carried by aircraft;
- using only one engine during taxiing on twin-engine aircraft and limiting the number of engines used during taxiing on aircraft with three or four engines;
- having more UPS airplanes use electrical power from buildings and in-ground electrical hook-ups instead of the aircraft's auxiliary power unit, which is powered by fuel;
- minimizing aircraft taxi times; and
- slowing down flights to the most fuel efficient speed possible if it doesn't change an arrival time critical to making service commitments.



Fuel Use and Emissions (cont.)

Technology

For UPS, fuel consumption is a necessary business expense. In 2007, fuel costs equated to 6 percent of revenue. From both business and environmental perspectives, UPS is committed to developing and testing innovative solutions and investing in technologies that minimize fuel consumption and reduce our impact on the environment.

Achieving maximum fuel efficiency on the road requires hours of effort behind the scenes in UPS's corporate offices, technology centers and hubs, where packages are sorted and vehicles are loaded prior to final delivery. Accordingly, UPS has developed a number of programs and technologies that lead to reduced fuel consumption.

On the Ground

UPS Package Routing Technology

Effectively and efficiently delivering 15.8 million packages and documents a day takes a lot of planning. UPS has implemented several tools and procedures, called Package Flow Technology, to optimize delivery routes. These tools include a suite of hardware and software designed, in part, to help UPS plan the most effective route — before a package is even loaded into a delivery vehicle. The goal is to route vehicles more efficiently to drive fewer miles. During 2007, this technology, which also minimizes left-hand turns:

- shaved nearly 30 million miles off already streamlined delivery routes;
- saved 3 million gallons of gas; and
- reduced emissions by 32,000 metric tonnes of CO₂ — the equivalent of removing 5,300 passenger cars off the road for an entire year.



Fuel Use and Emissions (cont.)

Telematics

UPS employs telematics, the use of technology to gather and analyze data from delivery trucks to improve efficiency, reduce energy consumption and emissions, and make its drivers safer on the roads. The technology provides wireless insight into a vehicle's performance and condition, and helps identify opportunities to train drivers to improve safety, customer service and efficiency. UPS uses the data to not only cut fuel consumption, emissions and maintenance costs, but also to improve customer service and driver safety.

During 2007, UPS successfully tested the technology on 334 delivery trucks. In two Georgia test sites last year, telematics helped to reduce the amount of time spent idling by 24 minutes per driver per day, thus reducing fuel use and emissions. Among ways the initiative is helping UPS reduce energy consumption and environmental impact:

- Reducing idle time
- Identifying opportunities for coaching drivers on ways to optimize fuel economy
- Optimizing dispatch planning and driver routine to reduce overall driver miles
- Optimizing vehicle performance; improving maintenance
- Monitoring tire pressure

DIAD — UPS's Hand-Held Computer

Since 1991, UPS revolutionized the package delivery business when it developed and deployed the first Delivery Information Acquisition Device, known as the DIAD. The DIAD is the most comprehensive tracking device in the delivery industry, providing UPS drivers with data collection and transmission technologies that increase operational efficiencies and enable customers to track their packages in real time.

This technology includes internally developed software that enables the driver to “see” each scheduled package delivery in the exact order needed to meet all the service requirements in the most effective way, reducing the number of miles driven and fuel consumption. The DIAD, used in 59 countries, also eliminates the use of 89 million sheets of paper, saving 7,760 trees per year.

Fuel Use and Emissions (cont.)

Technology in the Air

Lido Flight Planning System

UPS is the first U.S.-based carrier to use the Lido flight planning system, which calculates the most efficient route between two points, based on weather, winds, terrain and other factors.

Surface Management System

UPS has begun using the Surface Management System at UPS Worldport®, its international air hub, to minimize the ground taxi times of aircraft. The system will help the airline save 250,000-500,000 gallons of fuel per year.

UPS Technology Helps Customers Be More Sustainable

UPS's commitment to network optimization and energy conservation goes beyond its own network. UPS makes its fuel-saving logistics expertise available to other companies through UPS Logistics Technologies, which offers commercial routing, scheduling and dispatching software. Currently, more than 140,000 customer vehicles are using this technology, which is shaving 823.7 million miles off of driving routes and eliminating roughly 1.3 million metric tonnes of CO₂ annually.

[Learn more about UPS Logistics Technologies](#)

Fuel Use and Emissions (cont.)

Ongoing Initiatives:

- In 2007, UPS retired 20 727-100s and acquired three new, highly efficient 747-400s.
- UPS Airlines continues to use a unique flight planning system, which calculates the most efficient route between two points, based on weather, winds, terrain and other factors.

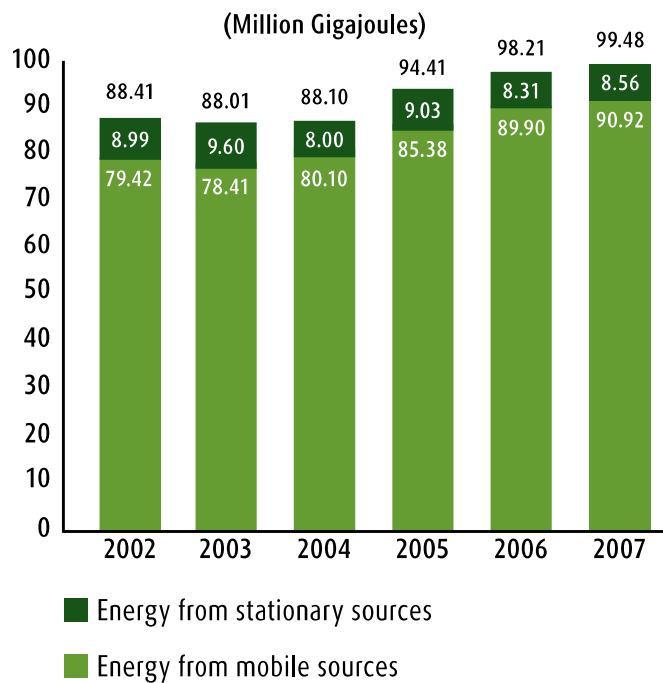


Energy

UPS takes specific steps to reduce energy use in our more than 3,000 facilities worldwide. Our energy consumption in the United States is comprised of stationary sources of energy (electricity, natural gas, propane and heating oil) and mobile sources of energy (gasoline, diesel, Jet A and compressed natural gas).

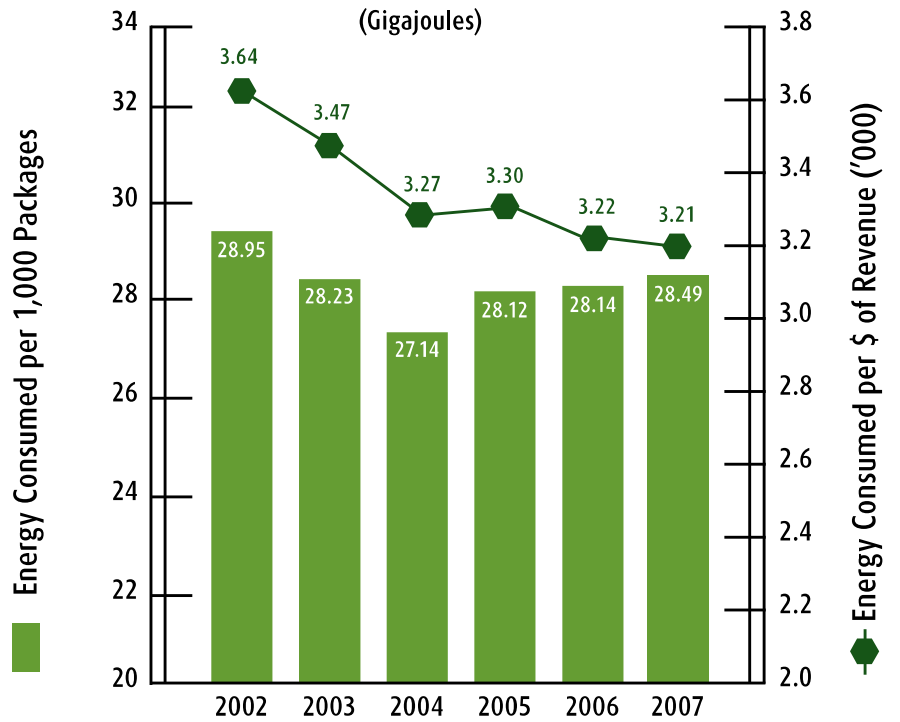


Energy Consumption — Absolute U.S. Package Operations



Energy (cont.)

KPI Energy Consumption — Normalized U.S. Package Operations



2007 Energy Consumption

UPS continues to evaluate the collective impact of our multiple fuel and energy initiatives to determine a goal. In 2007, our total energy consumption increased by 1.3 percent. Energy consumption per package increased by 1.2 percent. Our energy consumption per dollar of revenue, however, continues to improve annually.

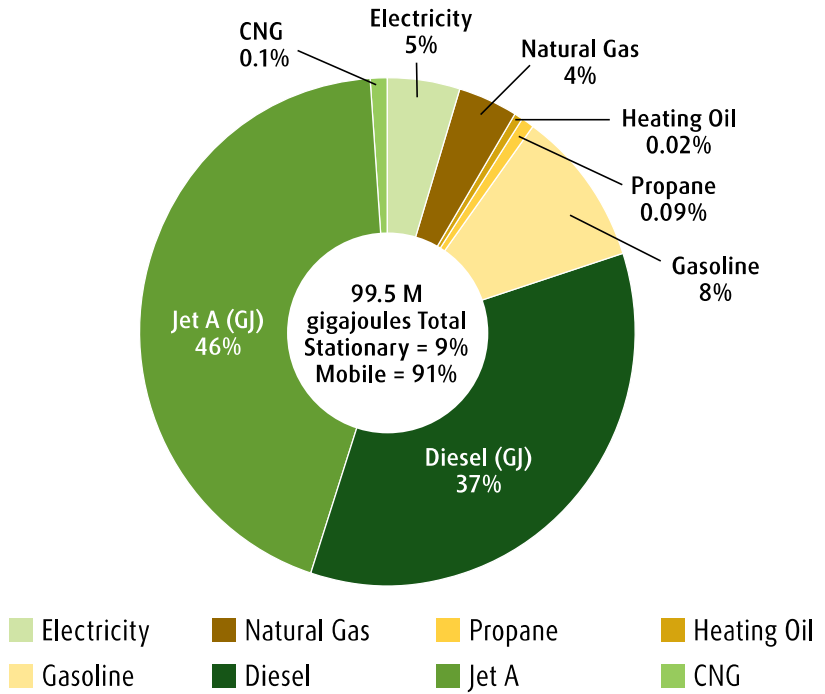
UPS's energy consumed per 1,000 packages increased due to several factors:

- Time in transit and service enhancements require additional fuel use due to mode changes.
- Growth in online commerce is changing our delivery distribution. Our volume has shifted from 80 percent commercial and 20 percent residential to 70 percent commercial and 30 percent residential. Residential deliveries require more driving.

Our fuel conservation strategies are critical to our efforts to operate our business as efficiently and environmentally responsible as possible.

Energy (cont.)

2007 Total Energy Consumption by Type
U.S. Package Operations



Initiatives:

- **Package Flow Technology:** During 2007, we continued to roll out package routing technology in our U.S. facilities designed to improve delivery efficiency and energy savings.
- **Energy-Efficient Lighting Upgrade Program:** In 2007, UPS completed 24 lighting upgrade projects in our small package and supply chain facilities. This produced an energy savings of more than 6.5 million kWh, which is enough energy to power 600 homes for a year. Additionally, this energy reduction decreases CO₂ emissions by 5,053 metric tonnes annually.
- **Solar:** Solar power provides 70 percent of the power needs at our Palm Springs, Calif., sorting facility. Since its deployment in July 2003, the 100 kilowatt solar panel initiative has produced over 700,000 kilowatt hours of energy, reducing our CO₂ output by 544 metric tonnes annually. This CO₂ reduction is equivalent to removing 99 passenger cars from the road for a year.



Energy (cont.)

- **Renewable:** UPS has several facilities in California currently using “green” power for 50 percent of their electricity supply, totaling more than 2.8 million kilowatt hours annually. This power comes from biomass sources. Biomass refers to a waste-to-energy process and can take the form of converting landfill gas, human and animal waste or agricultural waste to energy.
- **Recycling and Energy:** UPS recycling initiatives impact the energy consumption of our suppliers. In 2007, UPS recycled 45,400 tons of solid-waste materials including metals, plastics, paper, corrugated materials, pallets and wood waste. Additionally, in 2007, UPS purchased 159,100 tons of materials with recycled content. Solid-waste recycling and purchasing materials with recycled content saves energy because it takes less energy to make products from recycled materials than producing them from raw materials. These purchases have the equivalent energy savings of removing 12,793 passenger cars from the road for a year.

Ongoing Facility Initiatives:

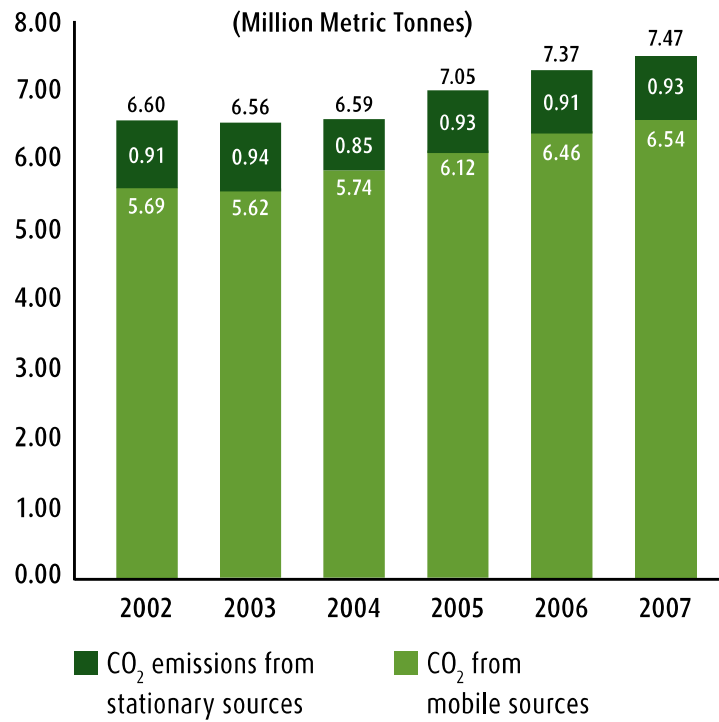
- Energy-efficient motors and low-friction belts for conveyer systems.
- High-speed roll-up doors to open and close quickly when vehicles are departing and arriving at the buildings, which reduce heating and air conditioning loss.
- Pressurized heating systems and dock door seals to prevent the infiltration of outside air in cooler climates.
- Motion sensors and timers for office lighting to reduce the wasteful use of energy.
- High-efficiency HVAC equipment. This program allows for the replacement of equipment reaching the end of its lifecycle to be replaced with high-efficiency units.

Greenhouse Gas Emissions

As new fuel-efficient and alternative technologies become widely available and affordable, UPS's long-term goal is to decrease CO₂ emissions produced by our operations. In the near term, our efforts are focused on reducing emissions per package.

UPS's carbon footprint is comprised of stationary sources of energy (electricity, natural gas, propane and heating oil) and mobile sources of energy (gasoline, diesel, Jet A and compressed natural gas). It is expressed in million metric tonnes of CO₂ emissions.

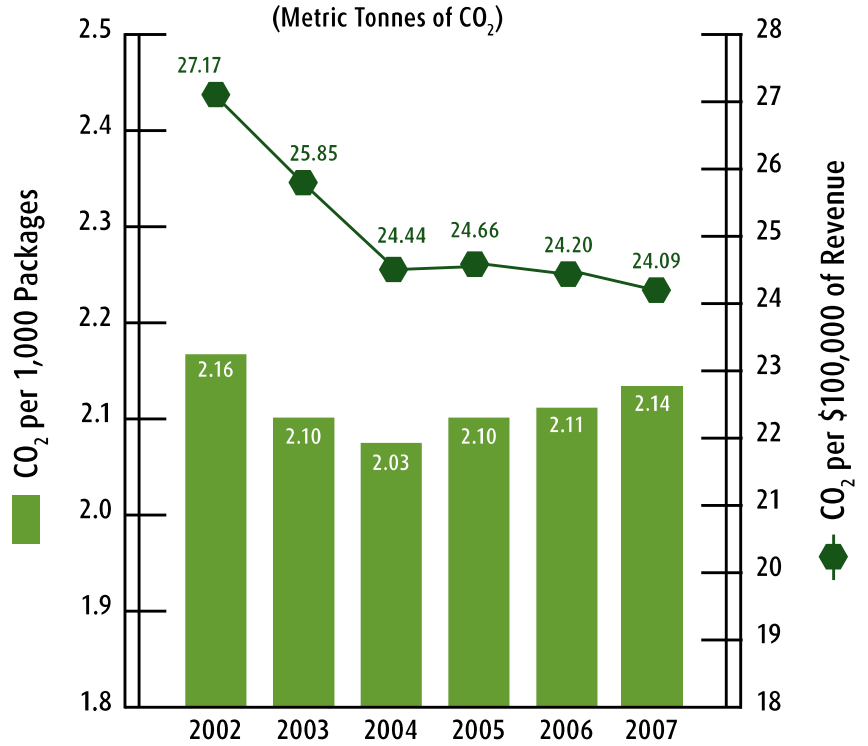
KPI CO₂ Emissions — Absolute — Mobile vs. Stationary Sources
U.S. Package Operations



In 2007, UPS's CO₂ emissions increased by 1.3 percent.

Greenhouse Gas Emissions (cont.)

KPI CO₂ Emissions — Normalized
U.S. Package Operations



2007 Greenhouse Gas Emissions

In 2007, UPS's CO₂ efficiency decreased 1.2 percent. We produced .03 metric tonnes (30 kilograms) more CO₂ emissions per 1,000 packages delivered than we did in 2006. Our CO₂ emissions per dollar of revenue, however, continue to improve annually.

UPS's CO₂ per-1,000-packages efficiency decreased due to several factors:

- Time in transit and service enhancements require additional fuel use due to mode changes.
- Growth in online commerce is changing our delivery distribution. Our volume has shifted from 80 percent commercial and 20 percent residential to 70 percent commercial and 30 percent residential. Residential deliveries require more driving.



Greenhouse Gas Emissions (cont.)

Initiatives:

- In 2007, UPS purchased green power as part of the electricity supply at several California facilities. This power comes from biomass sources, which refers to a waste-to-energy process and can take the form of converting landfill gas, human and animal waste or agricultural waste to energy. These facilities utilize 50 percent of their power from green energy and save the equivalent of 1,642 metric tonnes of CO₂ annually.
- In 2007, we recycled 45,400 tons of solid waste materials including metals, plastics, paper, corrugated materials, pallets and wood waste. Solid waste prevention reduces methane, which contributes to greenhouse gas effects.

Ongoing Initiatives:

- Increase fuel efficiency of vehicles and aircraft
- Support and maintain current alternative fuel fleet
- Experiment with and deploy new technologies for our air and ground fleet
- Continue to test new technologies for our facilities, including solar and distributed power
- Focus on energy conservation in facilities
- Implement operational technologies that improve efficiency and reduce miles driven
- Continue to take advantage of our integrated network and intermodal capabilities

Recycling and Waste Management

UPS has training programs and policies in place to ensure the proper management of hazardous and non-hazardous waste. From airline operations to vehicle maintenance shops, these procedures are integrated throughout our operations. In addition, we have a wide array of recycling and source-reduction initiatives that lessen our impact on the environment and help us operate more efficiently.

In this section, you will find an overview of UPS's strategic involvement with recycling and source reduction, hazardous and non-hazardous waste, and water consumption and conservation.

Recycling and Source Reduction

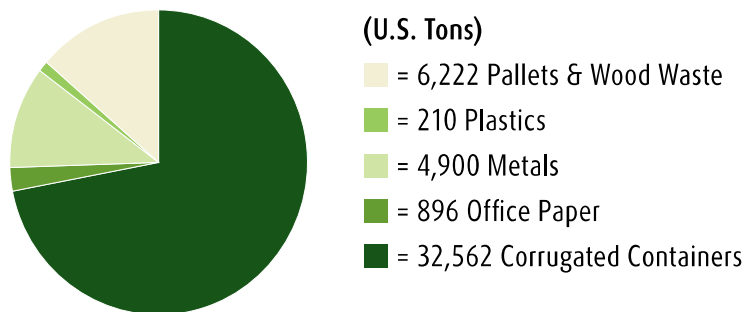
UPS currently collects solid waste data on 1,566 of our U.S. facilities. Solid waste refers to normal trash such as paper, cardboard and plastic that is commonly landfilled. In 2007, these facilities generated 113,511 tons of solid waste and an additional 45,400 tons were recycled.

Solid Waste Recycling

In 2007, we recycled 45,400 tons of solid waste materials including metals, plastics, paper, corrugated materials, pallets and wood waste. Solid waste prevention reduces methane, which contributes to greenhouse gas effects. During 2007, UPS continued to focus on recycling throughout our operations. For example, the recycling of our wood pallets increased by 230 percent last year.

2007 Solid Waste Recycling

U.S. Package and Supply Chain and Freight





Recycling and Waste Management (cont.)

Purchasing Products That Contain Recycled Materials

Over the years, UPS has increased its purchases of materials with recycled content. In 2007, we purchased 159,100 tons of these materials, which creates and maintains demand for products that have a positive impact on the environment.

Electronic Equipment Recycling

Computers and other electronic equipment contain toxic chemicals and plastics that must be properly addressed at the end of a product's lifecycle. In 2007, UPS recycled 2.65 million pounds of electronic equipment from our own operations. Since the program began in 2000, UPS has recycled 22.3 million pounds.

We use our transport and logistics capabilities to collect and prepare equipment for recycling or remanufacturing. An internal website enables our technical staff to determine if computer equipment should be repaired or sent to a qualified vendor to be recycled or refurbished.

UPS also helps its customers dispose of unwanted electronics. Through its Asset Recovery and Recycling Management service, UPS Supply Chain Solutions® oversees the final disposition of electronics through repair, recycling or disposal in an environmentally safe manner, all while controlling logistics-related activities.

Additionally, several of The UPS Store® locations accept old cell phones for reuse and recycling. UPS Supply Chain Solutions sorts and ships the phones to our partner, ReCellular, which reconditions them and resells them to developing markets. The devices that cannot be refurbished are recycled and kept out of landfills.



Recycling and Waste Management (cont.)

Reusable Bags

To date, we have used more than 6.14 million reusable bags in the United States and Germany to bundle and sort small packages within our system. Each reusable bag eliminates the need for more than 600 plastic bags.

Since the program's beginning in 1995, our reusable bags have prevented more than 46,370 tons of plastic from entering landfills. In 2007, we purchased 717,000 additional reusable bags. This will reduce the amount of plastic bags landfilled by 5,000 tons.

Responsible Packaging

We introduced the industry's first Reusable Next Day Air envelope in 1998, which is bleach free and 100 percent recycled fiber (80 percent post-consumer). While it cuts down on waste by allowing one envelope to be used twice, the Reusable Envelope also provides convenience to customers, like mortgage brokers and attorneys, who have to ship documents for their clients to sign and return.

In 1998, UPS accepted the challenge from The Alliance for Environmental Innovation to improve the environmental profile of packaging in the transportation industry. Our express packaging was redesigned to eliminate bleached paper and increase the use of post-consumer recycled content — changes that not only reduced paper usage, but also reduced the amount of energy used in the manufacturing process by 12 percent.

Additionally, The UPS Store locations have an ongoing effort to encourage consumers to bring in foam packing peanuts to be reused and recycled.

Battery Recycling

Through its participation in the Rechargeable Battery Recycling Corporation (RBRC), UPS recycled 22,642 pounds of batteries in 2007. These batteries include nickel cadmium, nickel metal hydride, lithium ion and small-sealed lead acid.

Corporate Office Recycling Program

In 2007, 46 percent of waste produced by our corporate office was recycled, including paper, cardboard, lamps and ballasts. In 2007, UPS recycled wastes at a rate of 102 pounds per person at this location.



Recycling and Waste Management (cont.)

Hazardous and Non-hazardous Wastes

Wastes are generated from aircraft, vehicle and facility operations. These wastes typically include spent antifreeze, used oil, spent solvents, spill residues, paint wastes, used filters and leaking packages.

Non-hazardous Wastes

The vast majority of wastes from aircraft, vehicles and facility maintenance are managed as non-hazardous wastes. These wastes, which are disposed of or recycled through many vendors, represent approximately 90 percent of the combined hazardous and non-hazardous wastes. Our responsibility for these wastes includes ensuring that they are properly disposed of or recycled. For example, we recycle used oil and we use antifreeze until it is spent, and then either recycle or properly dispose of it.

We also recognize that scrap tires pose a significant environmental issue when improperly disposed. That's why we work closely with vendors to develop specifications for retread tires that ensure quality and safety. Quality retreads enable UPS to reuse tires — stretching our resources while benefiting the environment.

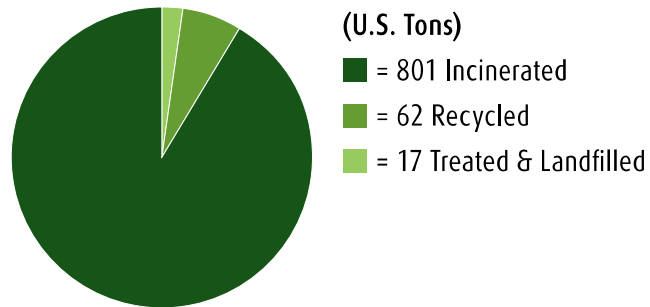
Hazardous Wastes

Only 10 percent of our wastes are managed as hazardous wastes. Hazardous wastes are managed through select vendors to ensure responsible disposal. We audit our vendors with third-party consultants on a regular basis to ensure compliance and proper management of wastes. In 2007, UPS's operating facilities in the United States generated 880 tons of hazardous waste.

Recycling and Waste Management (cont.)



2007 Hazardous Waste Management Methods U.S. Package and Supply Chain and Freight



2007 Goals

- Ensure consistent, responsible management of hazardous and non-hazardous wastes.
- Reduce the amount of hazardous waste generated by our operations through recycling and source-reduction initiatives.
- Work with customers to improve their packaging materials and techniques.
- Package Design Initiatives

In 2007, UPS continued to manage its recycling and waste effectively.

Package Design Initiatives

The UPS Package Design and Test Lab works with customers to ensure they are making proper packaging selections. The lab recently developed new box strength guidelines for small package carrier shipments. Ensuring that our customers are using proper packaging materials and packing techniques helps facilitate damage-free shipments.

Recycling and Waste Management (cont.)

Water Consumption and Conservation

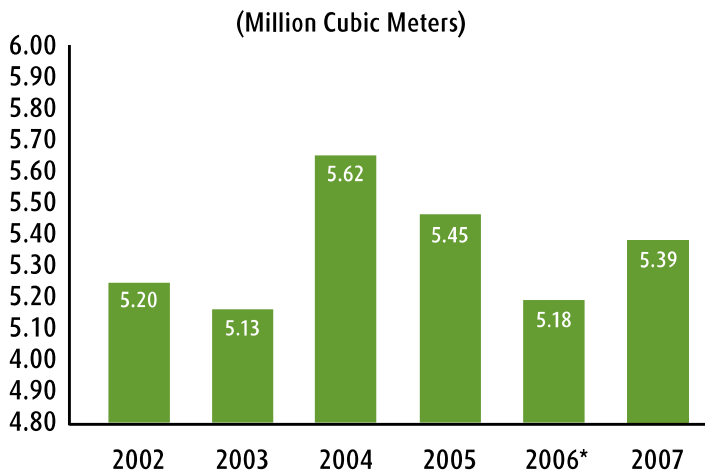
The efficient use of water is essential to future commerce and quality of life. Due to its cost, there is also a direct bottom-line benefit to reducing water use.

UPS consumes more than 1.4 billion gallons of water each year in its facilities, maintenance operations and vehicle-washing operations. We are committed to researching and implementing conservation initiatives. Last year, UPS's total water use dropped from 1.6 to 1.4 billion gallons due to water conservation efforts throughout our business.

Water conservation measures at the UPS headquarters in Atlanta, Ga., have reduced consumption by 8.9 million gallons from 2004 to 2007. This is equivalent to 3,280 gallons per person. Conservation measures taken to achieve these results at this location include:

- HVAC cooling tower upgrades;
- Eliminating the use of waterfalls and landscape irrigation;
- Replacing seasonal flower installations with drought-tolerant plants; and
- Installing waterless urinals.

KPI Water Consumption — Absolute
U.S. Package Operations

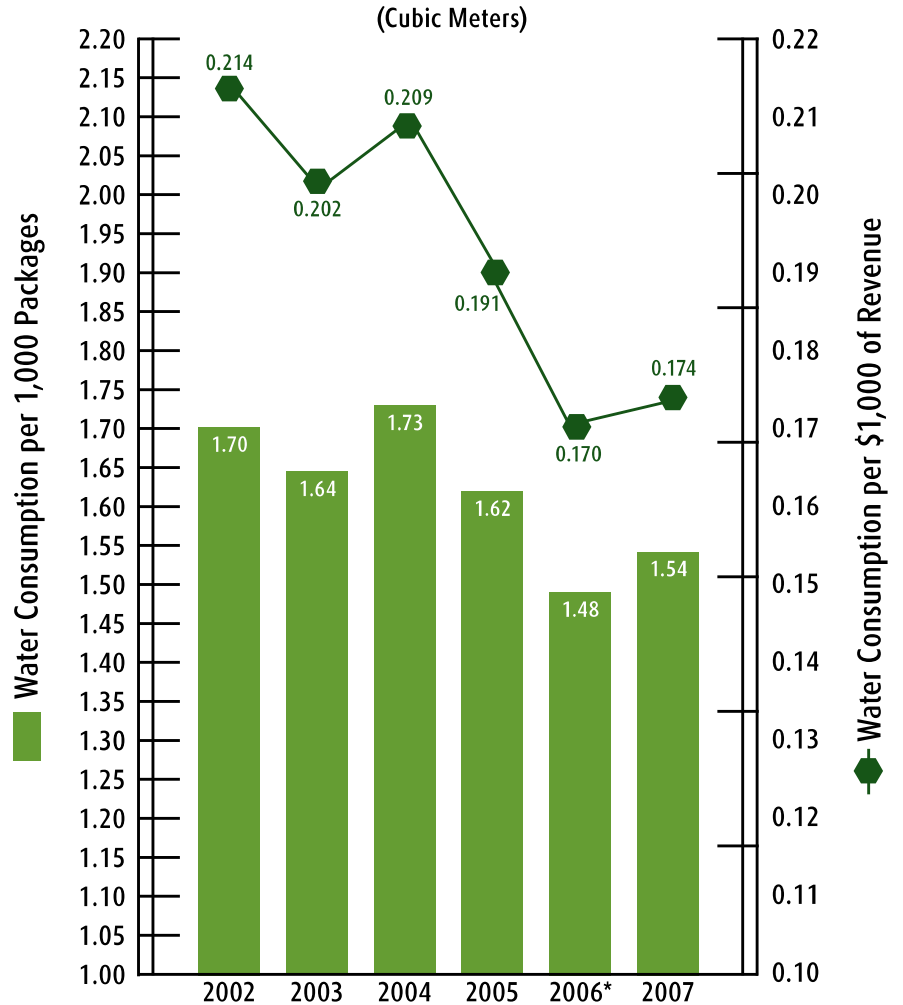


*2006 restated to exclude Supply Chain and Freight

Recycling and Waste Management (cont.)



Water Consumption — Normalized U.S. Package Operations



*2006 restated to exclude Supply Chain and Freight

Tracking water consumption has proven to be more complicated than initially anticipated. In the United States, we have more than 1,900 water accounts with more than 1,000 unique suppliers using 16 different units of measurement.

Water consumption per 1,000 packages increased slightly in 2007.

Recycling and Waste Management (cont.)

Last year, we reported water use for UPS Package Operations as well as Supply Chain and Freight per 1,000 packages. Upon reflection, we have decided to separate the data for Supply Chain and Freight because that part of our business is more accurately normalized with pallets rather than packages.

Ongoing Initiatives:

- **Vehicle Washing Policy:** In 1995, we changed our policy for washing delivery vehicles, saving 365 million gallons of water annually. Instead of washing them every day, we wash them as needed to maintain their appearance.
- **Water reclamation systems:** 49 UPS facilities have wash tunnels equipped with active systems to reclaim water for reuse.
- **Vehicle Wash Agent (VWA):** UPS uses an environmentally friendly enzyme wash agent that has the following benefits:
 - Neutral pH, 100 percent biodegradable and nonhazardous with by-products of carbon dioxide and water;
 - Cleans oil, grease and algae from drains, floor and walls of wash tunnels;
 - Improves the quality of wastewater discharge;
 - Saves approximately US\$1 million per year in materials and water.



Environmental Management Systems

Patterned after the ISO 14001 standard, UPS's environmental management system provides guidance to our plant engineering staff regarding their responsibilities for regulatory and waste minimization programs. We have 440 full-time equivalent employees whose responsibilities include carrying out our environmental programs, processes and activities in accordance with regulatory and UPS-specific requirements.

While we comply with all applicable government regulations, we also exceed requirements on many initiatives. Our training and auditing programs identify areas for improvement and outline strategies for achieving it. More than 1,000 employees have received training since 1991, and results of annual audits are reported to UPS's senior management.

The quality of our environmental management system is evident in our approach to four specific areas: environmental inspections by government agencies, procedures regarding underground petroleum storage tanks, management of incidental spills and monitoring aircraft deicing runoff.



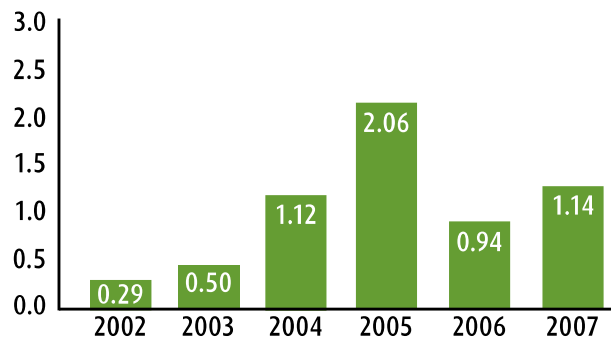
Environmental Management Systems (cont.)

Agency Environmental Inspections

In 2007, U.S. federal and state environmental agencies conducted 527 inspections at UPS facilities in the United States. Six of those inspections resulted in penalties, totaling US\$2,400. Additionally during 2007, UPS Supply Chain Solutions® and Freight reported three penalties totaling US\$24,500. This measurement is a snapshot of our past performance. The number of inspections is controlled by federal and state agencies.



Penalties as a Percentage of Total Environmental Inspections U.S. Package Operations



2007 Environmental Inspections

This measurement is a lagging indicator. No goal was intended. In 2007, UPS penalties as a percentage of inspections increased to 1.14 percent.

Ongoing Initiatives:

- UPS maintains environmental compliance by annually certifying its internal environmental auditors and by continuously focusing on the quality of the environmental programs and standards in its operations.
 - 193 environmental auditors have completed our annual internal certification process.
- Additionally, 615 employees have achieved fuel management systems certification.

Environmental Management Systems (cont.)

Underground Storage Tanks

To comply with EPA regulations set forth in 1988, UPS removed, replaced or upgraded all of our underground storage tanks two years before the deadline at a cost of more than US\$100 million. Today we have approximately 1,100 total underground gas and diesel tanks in the United States. These tanks utilize extensive protective measures, including leak-detection systems, redundant spill and overfill protection devices and built-in electrical interlocks and timers.



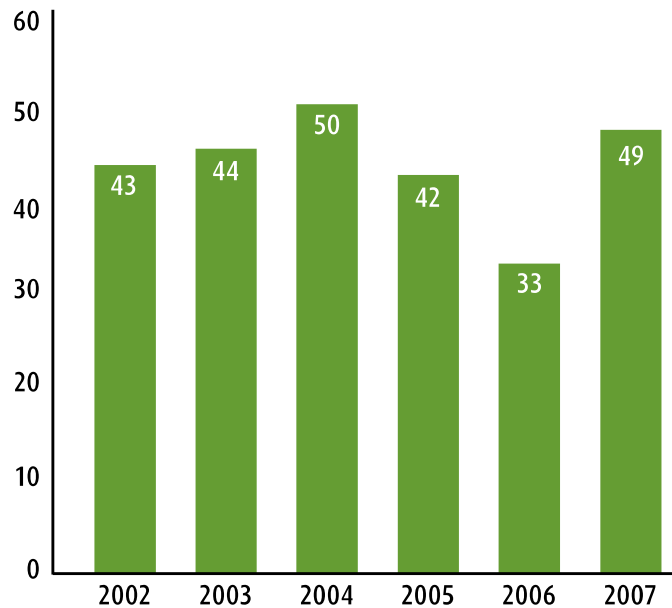
Environmental Management Systems (cont.)

Incidental Spills

We have thorough training programs and standards in place to prevent accidental spills. We exceed federal reporting guidelines by requiring that facilities report to UPS Corporate Environmental Affairs all spills that can impact the environment. By closely measuring information about every spill, our goal is to improve our programs and processes by understanding where failures occur. When a spill does occur, we focus on quick response, thorough clean up and accurate reporting to the appropriate authorities.

We have a “zero spill” objective in our operations, which is an aggressive goal for a company delivering 15.8 million packages daily with 94,542 vehicles.

KPI Number of Reportable Spill Incidents to Federal or State Environmental Agency
U.S. Package Operations



2007 Goal

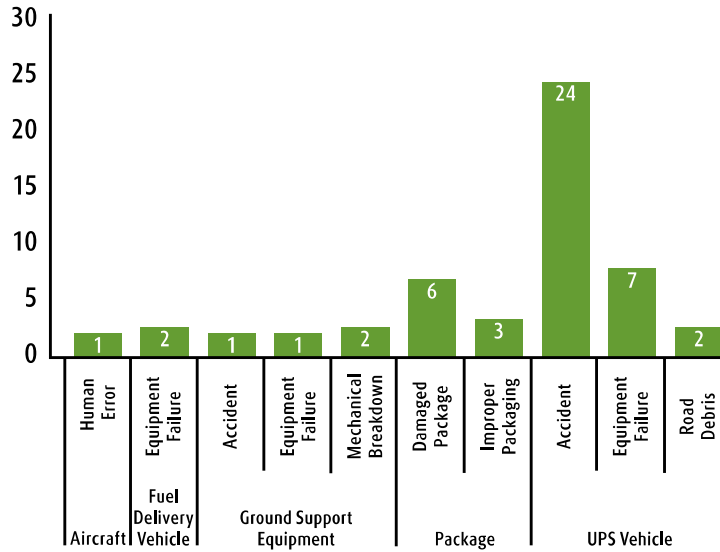
Reduce spills to as close to zero as possible.

In 2007, reportable spills increased from 33 to 49 for U.S. Package Operations. Total reportable spill volume increased to 3,357 gallons. Additionally, UPS Supply Chain Solutions® and Freight had 26 reportable spills totaling 1,954 gallons in 2007. Ninety percent of this spill volume is from two vehicle-related incidents.

Environmental Management Systems (cont.)

As the chart below indicates, 67 percent of 2007 spills are from vehicle incidents including accidents, equipment failures and road debris.

Breakdown of 2007 Spill Incidents by Type
U.S. Package Operations



Ongoing Initiatives:

- Reduce auto accidents.
- Maintain environmental management controls.
- Reduce improperly packaged items by educating customers on proper packaging techniques. The UPS Package Design and Test Lab recently developed new box strength guidelines for small package carrier shipments. Ensuring that our customers are using proper packaging materials and packing techniques helps facilitate damage-free shipments.

Environmental Management Systems (cont.)

Aircraft Deicing Runoff

In inclement weather conditions, airlines are required to use deicing fluids to ensure that planes are safe to fly. UPS carefully manages the runoff generated by these fluids, from capturing and recycling the fluids to routing runoff to publicly owned water treatment facilities for proper treatment. In addition to managing runoff, we work with manufacturers to develop products with reduced environmental impact.

Conclusion

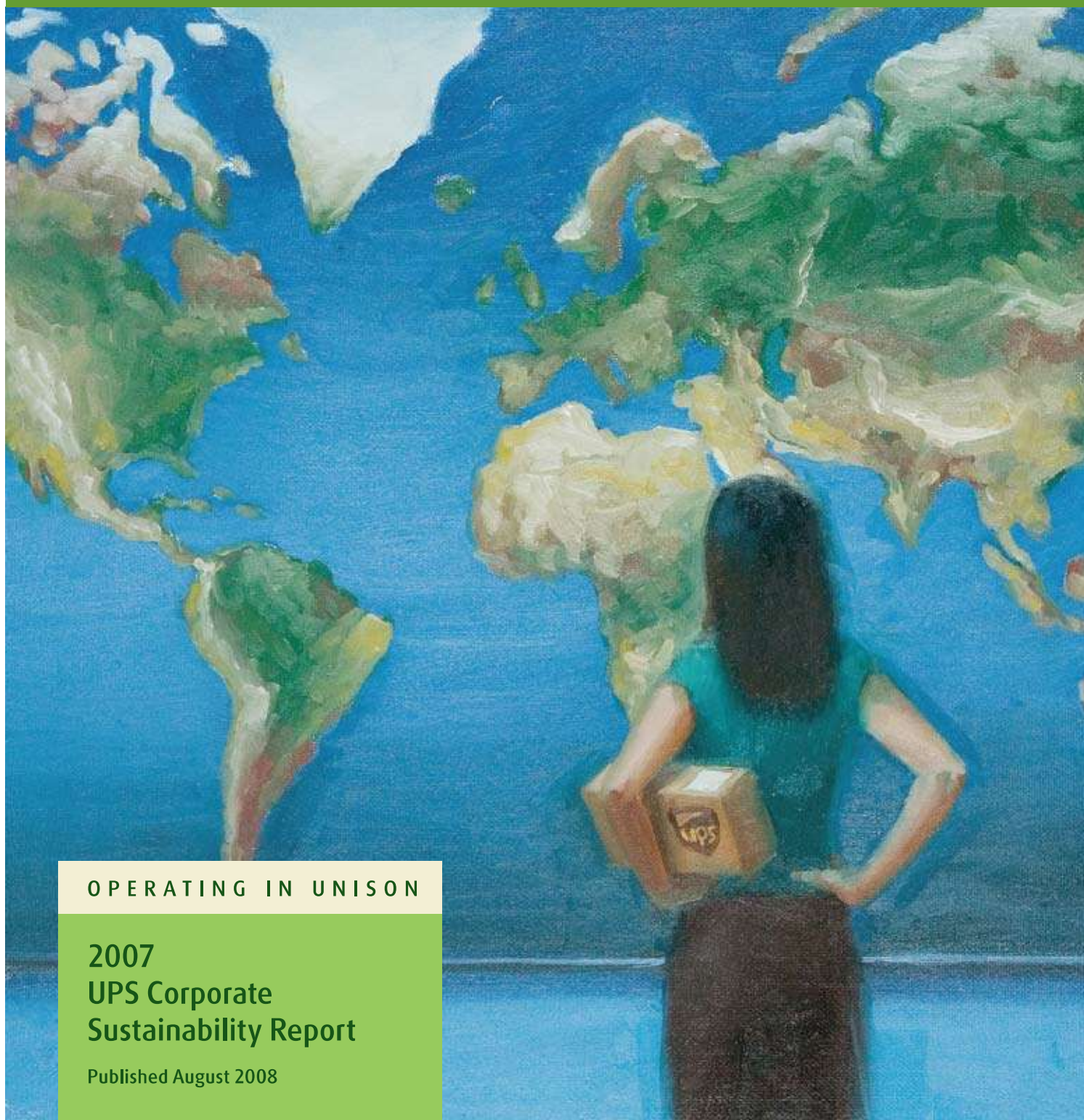
Sound business practices and strategies can, and indeed must, lead to a stronger, healthier environment. We know that good environmental decisions are typically good business decisions.

The challenges and opportunities ahead of us are significant. We embrace our leadership role in developing sustainable transport options. Many changes are possible in how our fleets and facilities will look in the years to come. Through fleet advances and innovative facility engineering, UPS strives to reduce its impact on the environment and reduce natural resource consumption in our operations worldwide.





THE FUTURE



OPERATING IN UNISON

2007 UPS Corporate Sustainability Report

Published August 2008

ON THE COVER

Created by a UPS employee, this painting entitled “Customer Focus” emphasizes the worldwide scope of shipment delivery and service excellence.



Looking Ahead

After more than 100 years in business, UPS continues to transform itself. Customers’ needs evolve, the marketplace shifts, technology accelerates and the nature of societal challenges changes over time. To remain a successful, sustainable company, UPS will continue to evolve as well.

In the areas of economic, social and environmental performance, UPS has committed to a new series of targets that are detailed in this report. The new goals reflect our growing understanding of how we can best measure and report our sustainability efforts. Without the leadership and commitment of the company’s top managers, reaching these goals would be difficult. That’s why UPS has recently formalized an organizational and governance structure around its sustainability programs. A newly formed Corporate Sustainability Steering Committee is co-chaired by top executives from the company’s leadership and is responsible for establishing goals and strategies for sustainability; monitoring and reporting on progress toward sustainability goals to the CEO and Board of Directors; and staying abreast of issues that need to be addressed at the corporate level.

In the months and years ahead, UPS will focus on several key economic, social and environmental initiatives, including the following:

Economic Initiatives

Refine our business model

In order to continue rewarding shareholders, providing jobs and creating a positive economic impact in communities around the world, UPS must continue to refine its business model. To enable global commerce and help our customers manage the flow of goods, information and funds, we will add capabilities that help companies of all sizes simplify international trade, reduce inventories and accelerate order-to-cash cycles. We will continue to expand our global network — on the ground and in the air — to help our customers do more business in fast-growing regions of the world. For instance, we’re opening an international air hub in Shanghai, China, in 2008.



UPS drivers Ron Sowder (pictured) and Tom Camp were honored for 45 years of safe driving in 2007.

Looking Ahead (cont.)

Social Initiatives

Realign our philanthropic emphasis

The UPS Foundation was created in 1951 to formalize our commitment to communities. As the philanthropic arm of UPS, The UPS Foundation has had a significant impact in hunger relief, literacy and volunteerism. Recently, The UPS Foundation realigned its global strategy to strengthen its impact and better leverage the company's intellectual and physical assets. The five new philanthropic focus areas are:

Community safety — UPS is renowned for the quality of safety training it provides to more than 104,000 of its drivers around the world. The company wants to leverage this expertise and support driver-safety education for young drivers around the world. What's more, UPS intends to help leading relief organizations respond to natural disasters by offering our transportation and logistics assets and expertise.

Non-profit effectiveness — UPS will donate funds and expertise to help non-profit organizations use their volunteers more efficiently and effectively.

Economic and global literacy — Lack of knowledge remains a tremendous barrier to economic empowerment around the world — especially for women in developing countries. UPS will fund programming that teaches free-enterprise principles and economic education. We also will continue to fund micro-enterprise lending initiatives.

Environmental sustainability — As the largest package delivery company in the world, UPS applies continuous innovation and creativity in managing its environmental impact. From its recycling and packaging initiative to its commitment to alternative-fuel vehicles and renewable energy, the company is recognized for its environmental leadership.

Looking Ahead (cont.)

From addressing the many impacts of climate change to the challenges of reducing energy consumption, it's clear that the protection and conservation of our natural world is a shared responsibility. While The UPS Foundation's role in this area of focus is emerging, its objective is to support organizations and programs that lead to lasting change — in thought leadership, in deeds and in results.

Diversity — UPS is in the business of linking people, cultures, and commerce, so diversity is an integral part of its global strategy. It relies on a multi-cultural, multi-dimensional workforce and is committed to diversity among its suppliers, customers, and the communities that it serves.





Looking Ahead (cont.)

From the empowerment of women to equal opportunity for the underserved and underprivileged, The UPS Foundation has supported minority-focused organizations dedicated to inclusion and diversity since the 1960s. UPS understands that today, diversity encompasses more than race and gender. It extends to the full myriad of issues ranging from ethnicity to sexual orientation to physical ability. The company's goal is to help communities thrive by embracing and leveraging the unique experiences, cultures and ideas of its people.

These focus areas, together with generous support for United Way and emphasis on employee volunteerism, drive UPS's ongoing strategy to remain an involved and responsible corporate citizen.

Environmental Initiatives

As operator of one of the world's largest ground and air fleets, UPS must make a concerted effort to reduce its environmental footprint. We recognize that both fossil-fuel dependence and carbon emissions pose a major long-term threat to the environment.

UPS will continue implementing a three-part environmental strategy that includes optimizing our network; deploying technologies to reduce the company's fossil-fuel consumption and emissions; and expanding our alternative-fuel vehicle fleet.

Our ongoing efforts to redesign and streamline delivery routes will continue. Already, UPS has reduced by millions of cumulative miles the distances our vehicles must travel to make deliveries, saving millions of gallons of fuel and reducing carbon emissions.

In our sorting centers and other facilities, we're designing new and existing buildings to minimize energy usage and draw from alternative energy sources whenever possible.

UPS is also deploying a range of strategies and vehicle technologies designed to reduce fuel consumption and minimize emissions. From engine idle reduction, lightweighting and improved aerodynamics to development of emerging alternative-fuel technologies, such as hybrid-hydraulic and hybrid-electric, the company's

Looking Ahead (cont.)

“rolling laboratory” approach means that UPS is always testing new ideas. UPS already operates the world’s largest private alternative-fuel fleet, and we expect to expand the number of alternative-fuel vehicles in our fleet in the years ahead.

UPS recognizes, above all, that we’re not just accountable to shareholders but to a wider community of stakeholders. These stakeholders will continue to hold UPS to the highest standards of corporate sustainability and responsibility.

Future UPS Key Performance Indicators

KPI Metrics — Social	2011 Goals	Interim Goals	Data Scope	Additional Data Description
Full-time employee turnover rate	Reach an annual employee turnover rate of 15%	2008 — 13% 2009 — 14% 2010 — 15%	Global Operations, excluding UPS Freight®	Percent of all full-time employees that turn over annually
Employer of Choice Index	Maintain a 77% favorable rating in this subset of the Employee Opinion Survey	2008 — No Survey 2009 — 77% 2010 — 77%	Global Operations	A subset of 20 questions from the Employee Opinion Survey that assess opinions on how UPS attracts, retains and motivates employees
Total charitable contributions	Reach total charitable giving of US\$103.5 million	None	Global Operations, excluding UPS Freight	Includes The UPS Foundation grants, in-kind services and employee United Way
Auto accident frequency per 100,000 driver hours	Reduce accident frequency to 13.6 per 100,000 driver hours	2008 — 16.7 2009 — 15.6 2010 — 14.6	Global Operations	Total number of vehicular accidents (regardless of severity) per 100,000 driver hours
DART (Days Away, Restricted, or Transferred duty) injury rate per 200,000 hours	Reduce DART injury rate to 5.4 per 200,000 hours	2008 — 6.9 2009 — 6.5 2010 — 5.9	Global Operations	Days away from work, restricted activity, or transferred to another job due to an on-the-job injury. This number represents the number of occurrences per 200,000 hours worked.

Looking Ahead (cont.)

Future UPS Key Performance Indicators (cont.)

KPI Metrics — Environmental	2011 Goals	Interim Goals	Data Scope	Additional Data Description
Penalties as a percent of total environmental inspections	Reach 0% penalties as a percent of total environmental inspections	2008 — 0% 2009 — 0% 2010 — 0%	U.S. Package Operations, Supply Chain and Freight reported separately	Environment-related fines (U.S.) as a percent of total environment-related agency inspections
Water consumption (absolute and normalized) by: — million cubic meters (total) — cubic meters per 1,000 packages — cubic meters per \$1,000 revenues	Addressing water data quality concerns. Plan to set goal by 2011	None	U.S. Package Operations, including Supply Chain and Freight	Includes all facility-related water and water to wash vehicles — expressed in cubic meters
Energy consumption (absolute and normalized) by: — million gigajoules (total) — gigajoules per 1,000 packages — gigajoules per \$1,000 revenues	Plan to set goal in 2008	None	Global Operations	Includes stationary sources (electricity, natural gas, propane and heating oil) and mobile sources (gasoline, diesel, jet A and compressed natural gas). Expressed in gigajoules of energy
Gallons of fuel per package	Plan to set goal in 2008	None	U.S. Package Operations, excluding Supply Chain and Freight	Includes gasoline, diesel, compressed natural gas and UPS's calculated portion of fuel used for transportation by rail services divided by total U.S. ground and air packages
Aircraft emissions per payload capacity	Improve aircraft emissions to 0.70 kilograms per 1,000 kilograms of payload capacity	2008 — 0.75 2009 — 0.72 2010 — 0.71	Global Operations	Total emissions of HC, CO and NOx in kgs divided by the sum of max structural payload capacity (in thousands of kgs) weighted by annual aircraft cycles

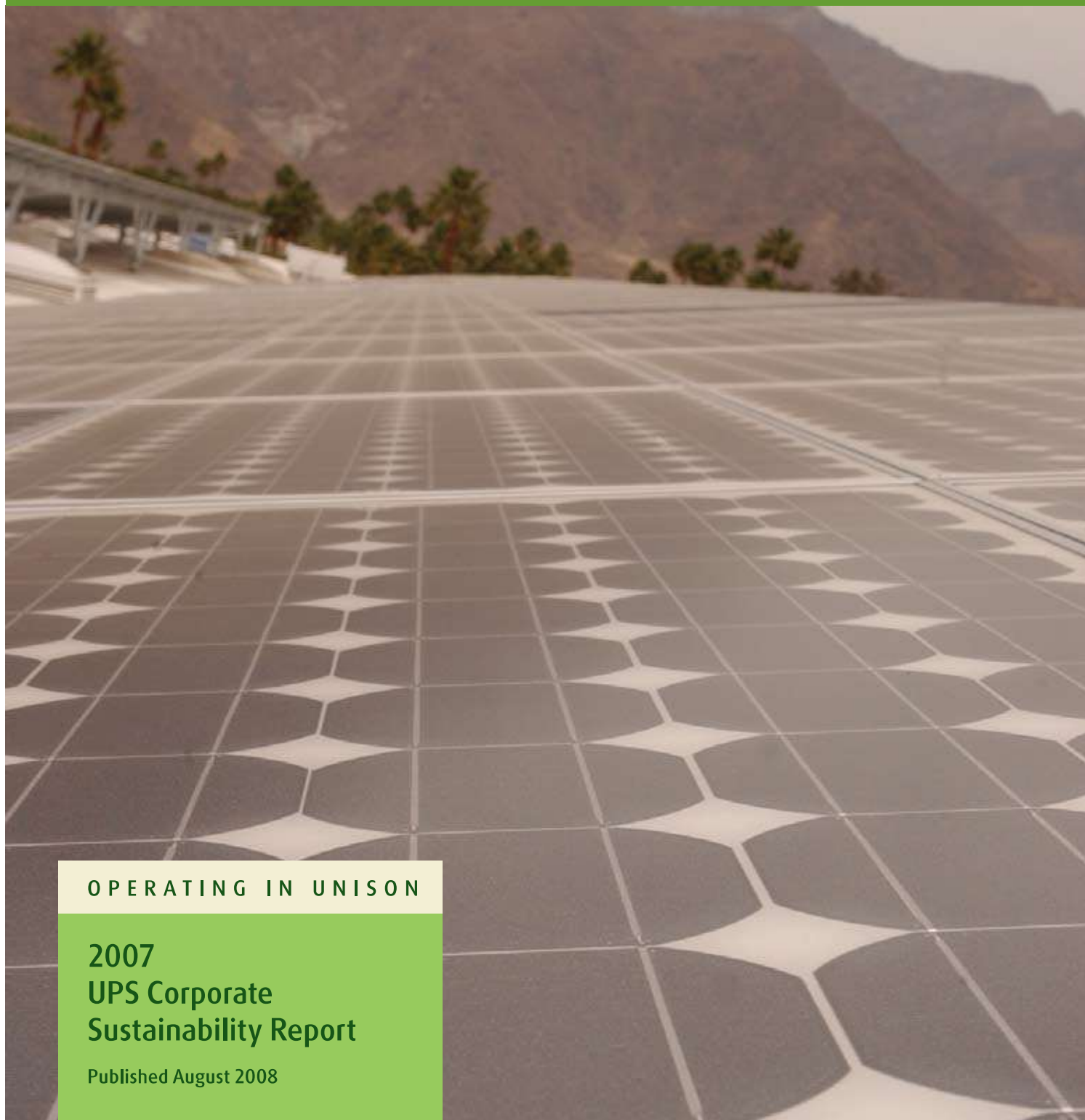
Looking Ahead (cont.)

Future UPS Key Performance Indicators (cont.)

KPI Metrics — Environmental	2011 Goals	Interim Goals	Data Scope	Additional Data Description
Percent of total U.S. air fleet meeting ICAO Stage IV noise guidelines	Increase the number of aircraft that are Stage IV compliant to 100%	2008 — 98% 2009 — 98.5% 2010 — 99%	Global Operations	Percent of fleet that meets 2007 noise requirements (which only apply to new aircraft acquisitions). Cumulative noise (take-off, sideline and approach) as measured by Effective Perceived Noise decibels (EPNdb)
Aviation gallons burned/100 available ton miles	Decrease gallons burned/100 available ton miles to 6.9	2008 — 7.1 2009 — 7.0 2010 — 7.0	Global Operations	Gallons of jet fuel consumed by aircraft type by lane segment divided by (air distance by lane segment X maximum payload in tons) divided by 100
CO ₂ emissions (absolute and normalized) by million metric tonnes (total), metric tonnes per 1,000 packages, metric tonnes per \$100,000 revenue	Plan to set goal in 2008	None	U.S. Package Operations, excluding Supply Chain and Freight	GHG emissions (U.S.) calculated using GHG Protocol – scope 1 and scope 2. Includes stationary sources of energy (electricity, natural gas, propane and heating oil) and mobile sources of energy (gasoline, diesel, jet Q and compressed natural gas)
Number reportable spills	0 reportable spills	2008 — 0 2009 — 0 2010 — 0	U.S. Package Operations, Supply Chain and Freight reported separately	Spills that meet criteria for federal or state reporting



APPENDIX



OPERATING IN UNISON

2007
UPS Corporate
Sustainability Report

Published August 2008

ON THE COVER

Roof-top solar panels in the Palm Springs, Calif., package sorting facility, have reduced CO₂ output by 1 million pounds since 2003.

The GRI-G3 Index

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

The 2007 report is based on the third generation of Global Reporting Initiative (GRI) guidelines known as GRI-G3. The GRI is an independent institution that provides a credible framework for sustainability reporting.

We believe that our 2007 reporting qualifies for the GRI scope “B” application level requirements. The following GRI-G3 Index lists the pages in which information is provided on the individual indicators.

Report Application Levels

		2002 In Accordance	C	C+	B	B+	A	A+
Mandatory	Self Declared							
	Third Party Checked			Report Externally Assured		Report Externally Assured		Report Externally Assured
Optional	GRI Checked			Report Externally Assured		Report Externally Assured		Report Externally Assured

The GRI-G3 Index (cont.)

LEGEND:

Fully Reported	●
Partially Reported	◐
Not Reported	○
Not Applicable to UPS	N/A

G3 Indicator	Description	Disclosure	
Strategy and Analysis			
1.1	Statement from the most senior decision-maker of the organization about the relevance of sustainability to the organization and its strategy.	Letter from the Chairman	●
1.2	Description of key impacts, risks and opportunities.	Letter from the Chairman	●
Organizational Profile			
2.1	Name of the organization.	page 2	●
2.2	Primary brands, products and/or services.	pages 2-4	●
2.3	Operational structure of the organization, including main divisions, operating companies, subsidiaries and joint ventures.	pages 5-9, 2007 Annual Report	●
2.4	Location of organization's headquarters.	page 8	●
2.5	Number of countries where the organization operates, and names of countries with either major operations or that are specifically relevant to the sustainability issues covered in the report.	page 8	●
2.6	Nature of ownership and legal form.	pages 5-9, 2007 Annual Report	●
2.7	Markets served.	page 8	●
2.8	Scale of the reporting organization.	page 8	●
2.9	Significant changes during the reporting period regarding size, structure or ownership.	2007 Annual Report	●
2.10	Awards received in the reporting period.	pages 10-13	●

The GRI-G3 Index (cont.)

G3 Indicator	Description	Disclosure	
Report Parameters			
3.1	Reporting period for information provided.	page 15	●
3.2	Date of most recent previous report (if any).	page 15 2006 Sustainability Report	●
3.3	Reporting cycle.	page 15	●
3.4	Contact point for questions regarding the report or its contents.	page 125	●
3.5	Process for defining report content.	pages 15-18 Stakeholders expected to use this report include: our customers, government agencies, non-governmental organizations, shareholders, socially responsible investors and academia.	●
3.6	Boundary of the report.	pages 15, 16, 121	●
3.7	State any specific limitations on the scope or boundary of the report.	page 121	●
3.8	Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations, and other entities that can significantly affect comparability from period to period and/or between organizations.	page 121	●
3.9	Data measurement techniques and the bases of calculations, including assumptions and techniques underlying estimations applied to the compilation of the Indicators and other information in the report.	pages 83-85, 121	●
3.10	Explanation of the effect of any restatements of information provided in earlier reports, and the reasons for such restatement.	pages 5, 91, 92	●
3.11	Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report.	pages 15, 16, 121	●
3.12	Table identifying the location of the Standard Disclosures in the report.	page 110	●
3.13	Policy and current practice with regard to seeking external assurance for the report.	No external assurance is performed at this time.	●

The GRI-G3 Index (cont.)

G3 Indicator	Description	Disclosure	
Governance, Commitments and Engagement			
4.1	Governance structure of the organization, including committees under the highest governance body responsible for specific tasks, such as setting strategy or organizational oversight.	pages 5-6, 101	●
4.2	Indicate whether the Chair of the highest governance body is also an executive officer.	Letter from Chairman	●
4.3	For organizations that have a unitary board structure, state the number of members of the highest governance body that are independent and/or non-executive members.	8 members Director Independence page Investor Relations website	●
4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body.	Contact Board page Investor Relations website	●
4.5	Linkage between compensation for members of the highest governance body, senior managers and executives (including departure arrangements); and the organization's performance (including social and environmental performance).	- Compensation Committee Charter and Director Investor Relations website - Compensation pages Investor Relations website	●
4.6	Processes in place for the highest governance body to ensure conflicts of interest are avoided.	page 7	●
4.7	Process for determining the qualifications and expertise of the members of the highest governance body for guiding the organization's strategy on economic, environmental and social topics.	Board of Directors includes people with broad knowledge and experience in the area of sustainability UPS Pressroom website	●
4.8	Internally developed statements of mission or values, codes of conduct, and principles relevant to economic, environmental and social performance and the status of their implementation.	Inside front cover, pages 7, 34, 60-62	●
4.9	Procedures of the highest governance body for overseeing the organization's identification and management of economic, environmental and social performance, including relevant risks and opportunities, and adherence or compliance with internationally agreed standards, codes of conduct and principles.	pages 7, 101 Corporate Governance Investor Relations website	●

Governance, Commitments and Engagement continued on next page

The GRI-G3 Index (cont.)

G3 Indicator	Description	Disclosure	
Governance, Commitments and Engagement (cont.)			
4.10	Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental and social performance.	The board and its committees perform annual self-evaluations. <i>Investor Relations</i> website	●
4.11	Explanation of whether and how the precautionary approach or principle is addressed by the organization.	page 61	●
4.12	Externally developed economic, environmental and social charters, principles, or other initiatives to which the organization subscribes or endorses.	pages 7, 15, 16, 94	●
4.13	Memberships in associations and/or national/international advocacy organizations.	Transportation Sustainability of the World Economic Forum, World Resources Institute, Business for Social Responsibility Clean Cargo Working Group, EPA SmartWay, EPA WasteWise, EPA Energy Star, Boston College Center for Corporate Citizenship.	●
4.14	List of stakeholder groups engaged by the organization.	page 35, See organizations listed in 4.13; we also meet with communities where we operate and provide extensive customer engagement.	●
4.15	Basis for identification and selection of stakeholders with whom to engage.	page 35, See organizations listed in 4.13; we also meet with communities where we operate and provide extensive customer engagement.	●
4.16	Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group.	page 35, See organizations listed in 4.13; we also meet with communities where we operate and provide extensive customer engagement.	●
4.17	Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns, including through its reporting.	Stakeholders engaged to address noise reduction from our airline operations. This is addressed through aircraft management and identification of Key Performance Indicators, page 121.	●

The GRI-G3 Index (cont.)

G3 Indicator	Description	Disclosure	
Economic			
	Disclosure on Management Approach	1. <i>2007 Annual Report</i> 2. <i>Investor Relations</i> website	
EC1	Economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments.	pages 5, 20, 21, 22, 23	●
EC2	Financial implications and other risks and opportunities for the organization's activities due to climate change.		○
EC3	Coverage of the organization's defined benefit plan obligations.		○
EC4	Significant financial assistance received from government.	UPS does not receive significant financial assistance from governments. A grant was awarded from the U.S. Department of Labor for a pilot driver-training program called Integrad.	●
EC6	Policy, practices and proportion of spending on locally based suppliers at significant locations of operation.		○
EC7	Procedures for local hiring and proportion of senior management hired from the local community at significant locations of operation.	pages 27, 32	●
EC8	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind or pro bono engagement.		○
EC9	Understanding and describing significant indirect economic impacts, including the extent of impacts.	pages 20, 21, 22, 23	●

The GRI-G3 Index (cont.)

G3 Indicator	Description	Disclosure
Environmental		
	Disclosure on Management Approach	1. 2007 Sustainability Report 2. UPS Corporate Climate Change Statement, page 61 3. <i>Community</i> website 4. <i>Sustainability</i> website 5. Carbon Disclosure Project 6. <i>UPS PaperlessSM Invoice</i> website
EN1	Materials used by weight or volume.	○
EN2	Percentage of materials used that are recycled input materials.	pages 82, 86, 87, 88 ●
EN3	Direct energy consumption by primary energy source.	pages 79, 80, 81 ●
EN4	Indirect energy consumption by primary source.	pages 79, 80, 81 ●
EN6	Initiatives to provide energy-efficient or renewable energy-based products and services, and reductions in energy requirements as a result of these initiatives.	pages 75, 76, 77, 81, 82 ●
EN7	Initiatives to reduce indirect energy consumption and reductions achieved.	pages 81, 82 ●
EN8	Total water withdrawal by source.	pages 91, 92, 93 ●
EN11	Location and size of land owned, leased, managed in or adjacent to, protected areas and areas of high biodiversity value outside protected areas.	○
EN12	Description of significant impacts of activities, products and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas.	○
EN16	Total direct and indirect greenhouse gas emissions by weight.	pages 83, 84 ●
EN17	Other relevant indirect greenhouse gas emissions by weight.	pages 83, 84 ●
EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved.	page 85 ●
EN19	Emissions of ozone-depleting substances by weight.	N/A
EN20	NO _x , SO _x and other significant air emissions by type and weight.	page 74 ●
EN21	Total water discharge by quality and destination.	Water discharge is not material to UPS and therefore is not reported. N/A

Environmental continued on next page

The GRI-G3 Index (cont.)

G3 Indicator	Description	Disclosure	
Environmental (cont.)			
EN22	Total weight of waste by type and disposal method.	pages 86, 89, 90	●
EN23	Total number and volume of significant spills.	pages 97, 98	●
EN26	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation.	pages 61, 62, 79, 80, 81, 83, 84, 85	●
EN27	Percentage of products sold and their packaging materials that are reclaimed by category.	Not material to the package delivery industry.	N/A
EN28	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations.	page 95	●

The GRI-G3 Index (cont.)

G3 Indicator	Description	Disclosure
Labor Practices & Decent Work		
	Disclosure on Management Approach	1. 2007 Sustainability Report 2. <i>Sustainability</i> website 3. <i>Community</i> website 4. <i>UPS Careers</i> website
LA1	Total workforce by employment type, employment contract and region.	○
LA2	Total number and rate of employee turnover by age group, gender and region.	page 29 ●
LA3	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operations.	○
LA4	Percentage of employees covered by collective bargaining agreements.	page 34 ●
LA5	Minimum notice period(s) regarding significant operational changes, including whether it is specified in collective agreements.	page 34 ●
LA6	Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programs.	page 38 ●
LA7	Rates of injury, occupational diseases, lost days and absenteeism, and number of work-related fatalities by region.	○
LA8	Education, training, counseling, prevention and risk-control programs in place to assist workforce members, their families or community members regarding serious diseases.	page 38 ●
LA9	Health and safety topics covered in formal agreements with trade unions.	○
LA10	Average hours of training per year per employee by employee category.	○
LA11	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings.	pages 27, 30, 55 ●
LA13	Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership and other indicators of diversity.	page 33 ●
LA14	Ratio of basic salary of men to women by employee category.	○

The GRI-G3 Index (cont.)

G3 Indicator	Description	Disclosure
Human Rights		
	Disclosure on Management Approach	1. 2007 Sustainability Report, page 7 2. <i>Sustainability</i> website 3. Code of Business Conduct, page 34 4. <i>Community</i> website
HR1	Percentage and total number of significant investment agreements that include human rights clauses or that have undergone human rights screening.	○
HR2	Percentage of significant suppliers and contractors that have undergone screening on human rights and actions taken.	○
HR4	Total number of incidents of discrimination and actions taken.	○
HR5	Operations identified in which the right to exercise freedom of association and collective bargaining may be at significant risk, and actions taken to support these rights.	○
HR6	Operations identified as having significant risk for incidents of child labor, and measures taken to contribute to the elimination of child labor.	○
HR7	Operations identified as having significant risk for incidents of forced or compulsory labor, and measures taken to contribute to the elimination of forced or compulsory labor.	○

The GRI-G3 Index (cont.)

G3 Indicator	Description	Disclosure
Society		
	Disclosure on Management Approach	1. 2007 Sustainability Report 2. <i>Sustainability</i> website 3. Code of Business Conduct, page 34 4. <i>Community</i> website 5. <i>Investor Relations</i> website
S01	Nature, scope and effectiveness of any programs and practices that assess and manage the impacts of operations on communities, including entering, operating and exiting.	○
S02	Percentage and total number of business units analyzed for risks related to corruption.	page 7 ●
S03	Percentage of employees trained in organization's anti-corruption policies and procedures.	page 7 ●
S04	Actions taken in response to incidents of corruption.	○
S05	Public policy positions and participation in public policy development and lobbying.	○
S08	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations.	○

The GRI-G3 Index (cont.)

G3 Indicator	Description	Disclosure
Product Responsibility		
	Disclosure on Management Approach	1. 2007 Sustainability Report 2. Sustainability website 3. Code of Business Conduct, page 34 4. Community website 5. Investor Relations website 6. ups.com [®] website
PR1	Life cycle stages in which health and safety impacts of products and services are assessed for improvement, and percentage of significant products and services categories subject to such procedures.	○
PR3	Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements.	○
PR6	Programs for adherence to laws, standards and voluntary codes related to marketing communications, including advertising, promotion and sponsorship.	○
PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services.	○

2002-2007 Key Performance Indicators

The following chart lists each UPS Key Performance Indicator along with results.

KPI Description	'02 Data	'03 Data	'04 Data	'05 Data	'06 Data	'07 Data	Scope of Data in 2007	Additional Data Description
Social								
Retention Rate (full-time)	94%	94%	92%	92%	91%	92%	All Global Operations excludes UPS Freight	Percent of full-time employees that are retained annually (management and non-management).
Employer of Choice Index	76%	74%	75%	75%	75%	75%	All Global Operations	A subset of 20 questions from the Employee Opinion Survey that assesses employees' opinions of how UPS attracts, retains and motivates employees.
Philanthropy as a Percentage of Pretax Profit AND Total UPS Charitable Contributions	1.0%	1.0%	0.9%	1.0%	0.9%		All Global Operations excludes UPS Freight	Combined charitable contributions of UPS and UPS Foundation as a percentage of profit before interest and taxes (PBIT adjusted for one-time events).
Auto Accident Frequency (per 100,000 Driver Hours)	17.7	18.2	17.8	17.0	15.3	15.1	All Global Operations	Total number of vehicular accidents (regardless of severity) per 100,000 driver hours.
Lost-Time Injuries per 200,000 hours	6.3	5.5	3.8	3.6	2.6	2.42	All Global Operations	Lost work days from injury or illness per 200,000 hours.
Environmental								
Penalties as a Percentage of Total Environmental Inspections	0.29%	0.50%	1.12%	2.06%	0.94%	1.14%	U.S. Package Operations Supply Chain and Freight reported separately	Environment-related fines (U.S.) as a percent of total environment-related agency inspections.
Water Consumption — Absolute and Normalized Million cubic meters (total)	5.2	5.1	5.6	5.5	5.2	5.4	U.S. Package Operations includes Supply Chain and Freight	Water consumption (U.S.) includes all facility-related water and water used to wash vehicles — expressed in cubic meters. 2006 restated to exclude supply chain and freight.
Cubic meters per 1,000 packages	1.70	1.64	1.73	1.62	1.48	1.54		
Cubic meters per \$1,000 of Revenue	0.21	0.20	0.21	0.19	0.170	0.174		
Energy Consumption — Absolute and Normalized Million gigajoules (total)	88.4	88.0	88.1	94.4	98.2	99.5	U.S. Package Operations excludes Supply Chain and Freight	Energy consumption (U.S.) includes stationary sources of energy (electricity, natural gas, propane and heating oil) and mobile sources of energy (gasoline, diesel, Jet A and compressed natural gas). Expressed in gigajoules of energy.
Gigajoules per 1,000 packages	28.95	28.23	27.14	28.12	28.14	28.49		
Gigajoules per \$1,000 of Revenue	3.64	3.47	3.27	3.30	3.22	3.21		
Gallons of Fuel per Package	0.1038	0.1012	0.1018	0.1036	0.1059	0.1055	U.S. Package Operations excludes Supply Chain and Freight	Fuel consumption (U.S.) includes gasoline, diesel, compressed natural gas, and UPS's calculated portion of fuel used for transportation by rail services divided by total U.S. ground and air packages.
Aircraft Emissions per Payload Capacity	0.92	0.88	0.86	0.83	0.81	0.796	All Global Operations	Total Emissions of HC, CO and NOx in kgs divided by the sum of max structural payload capacity (in thousands of kgs) weighted by annual aircraft cycles.
Percent of Total UPS Air Fleet Meeting ICAO Stage IV Noise Guidelines	92%	94%	95%	95%	96%	96.4%	All Global Operations	Percent of UPS total fleet that meets 2006 noise requirements (which only apply to new aircraft acquisitions). Cumulative noise (take-off, sideline and approach) as measured by Effective Perceived Noise decibels (EPNdb).
CO ₂ Emissions — Absolute and Normalized Million metric tonnes (total)	6.60	6.56	6.59	7.06	7.37	7.46	U.S. Package Operations excludes Supply Chain and Freight	GHG emissions (U.S.) calculated using GHG Protocol — scope 1 and scope 2. Includes stationary sources of energy (electricity, natural gas, propane and heating oil) and mobile sources of energy (gasoline, diesel, Jet A and compressed natural gas).
Metric tonnes per 1,000 packages	2.16	2.10	2.03	2.10	2.11	2.14		
Metric tonnes per \$100,000 of Revenue	27.17	25.85	24.44	24.66	24.20	24.09		
Number of Reportable Spills Incidents to Federal or State Environmental Agency	43	44	50	42	33 Pkg Ops + 2 SC&F	49	U.S. Package Operations Supply Chain and Freight reported separately	Spills that meet criteria of being federal or state reportable.
Hazardous Waste Management Methods (recycled/incinerated/landfilled) [tons]	76/437/24	33/483/27	46/551/30	45/639/14	59/845/18	62/801/17	U.S. Package Operations includes Supply Chain and Freight	Method of disposal for hazardous waste generated in UPS facilities. (Landfilled waste is treated to non-hazardous and then disposed of in a secure landfill.)
Additional Indicator Description								
Social								
% Participation in Employee Opinion Survey	89%	88%	89%	88%	89%	95%	All Global Operations	Percent participation in Employee Opinion Survey administered annually.



Frequently Asked Questions

Why is UPS committed to sustainability?

Providing good jobs for our people, excellent service and being a valued corporate citizen are key components of our longevity. This means balancing economic, social and environmental aspects of our business. We also think it's important to be transparent about our activities so that people can judge for themselves whether we are upholding these values. Our sustainability report is a critical element of that transparency because it includes specific goals that show how we plan to succeed in all aspects of our business.

Why did UPS decide to do a sustainability report?

UPS's leadership recognized that transparency, corporate citizenship and sustainability were increasing in importance. Our sustainability report was a way for UPS to report on activities that have been part of our corporate commitment to social, economic and environmental responsibility for decades.

How does UPS set its sustainability goals?

We used the Global Reporting Initiative (GRI) as the foundation for compiling our Corporate Sustainability Report. The GRI helped identify key performance indicators (KPIs) particularly relevant to our business.

In addition to GRI recommended measurements, we developed key performance indicators that are new to our industry. They represent a significant step forward to fully and accurately measure the impact of companies like us on society and the environment. The new measurements include ground network fuel efficiency and aircraft emissions per payload capacity.

All measurements in the report uniquely reflect our culture, business model, quality of management and impact on natural resources.



Frequently Asked Questions (cont.)

How has UPS's commitment to sustainability changed over the years?

The type of data we report has changed over the years. For example, we used to reiterate financial performance measures in our economic section. Over time, we decided a better way to examine economic impact is to discuss the ways UPS impacts its various stakeholders. For example, by facilitating the fast, reliable movement of goods, information and funds, UPS enables businesses large and small to engage in local and global trade. Additionally, our business touches employees, customers, shareowners and communities through wages, taxes, dividends and charitable giving.

How often does UPS report progress on its sustainability goals?

UPS issues an annual Corporate Sustainability Report each summer with data from the previous calendar year. UPS is proud to be the first in the transportation industry to issue a Sustainability Report or updates.

In 2003, we issued our first Corporate Sustainability Report, *Operating in Unison*. The data in the first report was based on 2002 year-end information. The vision, strategy and goals detailed in the report were designed with 2007 in mind — UPS's 100th anniversary. This centennial issue includes results on our goals from 2002 to 2007. We also provide updates on our initiatives regularly on company websites.



Frequently Asked Questions (cont.)

What is UPS doing to mitigate its impact on the environment?

We are actively engaged in conservation in every area of our business. Finding ways to reduce fuel consumption and emissions benefits UPS, our customers, our employees and the environment.

UPS technology and best practices combined with a highly integrated delivery network results in operational and fuel efficiencies. Using less fuel means fewer emissions, which benefits the environment.

Initiatives include:

- Developing and deploying package-routing technology that is shaving millions of miles off delivery routes.
- Operating the largest private alternative-fuel fleet in the transportation industry.
- Pioneering aircraft arrival procedures such as Continuous Descent Approach and using a variety of other technologies that reduce fuel use and emissions throughout UPS Airlines.

What is UPS's position on climate change?

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

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

[View the complete UPS Climate Change Statement](#)

Frequently Asked Questions (cont.)

Where do I get information about UPS's community programs?

For information on UPS's community programs, please visit www.community.ups.com.

Where do I go to apply for UPS grants or sponsorships?

To apply for UPS grants or sponsorships, please visit www.upssponsorships.com.

How do I find employment with UPS?

To explore job opportunities with UPS, please visit www.upsjobs.com.

Feedback

UPS welcomes feedback from stakeholders. Ongoing dialogue with stakeholders reinforces transparency and accountability in sustainability reporting.

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