



UPS® 2015 Corporate Sustainability Report

Materiality Assessment Process

G4-18

Materiality is a critical input into our corporate sustainability strategy because it ensures that we provide our stakeholders with the sustainability information most relevant to them. To determine this, we conduct a global materiality assessment on a regular basis. This process occurred most recently in 2013, and we continue to use the assessment as a framework for our 2015 Corporate Sustainability Report. We worked with BSR (formerly Business for Social Responsibility) on internal and external outreach that:

- Evaluated approximately 30 international sustainability frameworks and standards, ratings and rankings assessments, and other information, either developed by or representing the interests of important stakeholder groups.
- Conducted structured interviews with representatives from five stakeholder groups in the United States, Europe, China, and Brazil, with specific expertise in high-priority or emerging sustainability issues for UPS.
- Reviewed the outcomes of stakeholder engagement efforts around the world on sustainability issues. Relevant results from these engagements were shared with BSR during the formal materiality process.
- Interviewed six members of our Management Committee, which has direct responsibility for executing all company strategy. We also interviewed senior UPS managers around the world to better understand their points of view on issues relevant to their respective regions.
- Gathered feedback from dozens of regulators and other government agencies; communities; nongovernmental organizations (NGOs), including social and environmental activists; academics; and engaged investors.

Ultimately, we examined more than 50 issues, including areas of significant organizational impact, as well as broader sustainability trends that affect UPS. These issues fell into broad categories, such as greenhouse gas emissions and climate change, energy and fuels, privacy and security, labor/management relations, employees, ethics, governance, and other major areas of corporate sustainability.

BSR ranked each issue's relative importance based on an assessment of the aggregate feedback from stakeholders and UPS executives and supported us in making final adjustments to the ranking before we presented it to members of our Sustainability Directors Committee. This Committee then submitted the results of the materiality process for approval to our Sustainability Steering Committee, which includes members of the Management Committee and other senior leaders of UPS.

Materiality Aspects

The primary result of our materiality assessment process was a set of "material aspects" of sustainability for UPS. We have mapped these material aspects on a "materiality matrix." The vertical axis of the matrix is "Importance to Stakeholders," and the horizontal axis is "Influence on Business Success." These are the same axis definitions we used for our original materiality matrix in 2011.

The GRI G4 guidelines recommend that reporters define the vertical axis as "Influence on Stakeholder Assessments and Decisions." We believe this represents little or no change in

meaning from “Importance to Stakeholders.” GRI also recommends that reporters define the horizontal axis as “Significant Economic, Environmental, and Social Impacts.”

After careful consideration, we chose to retain our definition of the horizontal axis (Influence on Business Success) in order to focus the materiality matrix on our overall sustainability strategy, rather than on simply identifying impacts. Our approach also maintains consistency with our original materiality assessment and ensures UPS-specific material aspects stand out clearly for our management and stakeholders. The relevant scope and aspect boundaries are consistent with previous reporting periods as well.

Note “Influence on Business Success” implicitly takes into account the material aspect of economic performance. In the body of this Report, we fully discuss our economic performance, in line with GRI G4 guidelines. We also clearly state how our material aspects (those that appear in the upper right portion) correspond to the material aspect disclosures recommended by GRI.

An Evolving Process

While we do not conduct a global assessment every year, we are continuously enhancing our understanding of the most material sustainability issues for UPS by engaging with a diverse set of stakeholders. For example, in 2015, we conducted materiality assessments in four areas of the world where we have significant and growing operations: Canada; Europe; Asia-Pacific; and the Indian Subcontinent, Middle East, and Africa. These assessments involved desktop research, as well as interviews with internal and external stakeholders in each region. Our goal was to identify, analyze, and prioritize local issues in order to inform our sustainability strategy and reporting at both global and regional levels. The findings of the regional assessments, which are summarized on page 16 of our 2015 Sustainability Report, will inform our global materiality assessment in 2016 and provide the basis for our 2016 Sustainability Report.

Also in 2015, we focused on developing more formal processes to understand the sustainability priorities of shippers. This included conducting a quantitative survey about sustainable shipping and supply chain solutions for business customers and consumers in the U.S., the U.K., and Germany, which represent three of our largest markets. One insight to emerge from this exercise is how the sustainability priorities of business customers vary by market. For example, German businesses tend to look at sustainability through a broader lens that includes social issues, in contrast to U.S. businesses, which generally focus more on the environmental aspects of sustainability. Despite these different points of view, business customers are in agreement about the priority sustainability issues they expect logistics companies to address, with customer privacy, employee safety, and operating ethically rising to the top. Another insight is that, while a number of business customers and consumers currently incorporate sustainability into their shipping and supply chain decisions, many believe that it will become a more important factor over the next five years.

Our materiality work during the year was rounded out by including a set of sustainability questions in our annual “Change in the Chain” survey, which solicits input on the supply chain challenges and priorities of companies in the high-tech sector. In 2015, reducing costs and meeting customer demands emerged as the top two drivers for sustainability across the sector. When asked for their views on sustainability, high-tech executives had differing views based on their location. Executives in Latin America view sustainability as primarily important to core values in Latin America (77 percent) and Asia Pacific (61 percent). Executives in Europe view sustainability as primarily a strategic business imperative (69 percent). Customers are driving a significant amount of the sustainability focus in Europe and North America, where 68 percent and 56 percent of high-tech executives, respectively, cite customer demand as a reason they pursue sustainability initiatives.

Corporate Materiality Matrix

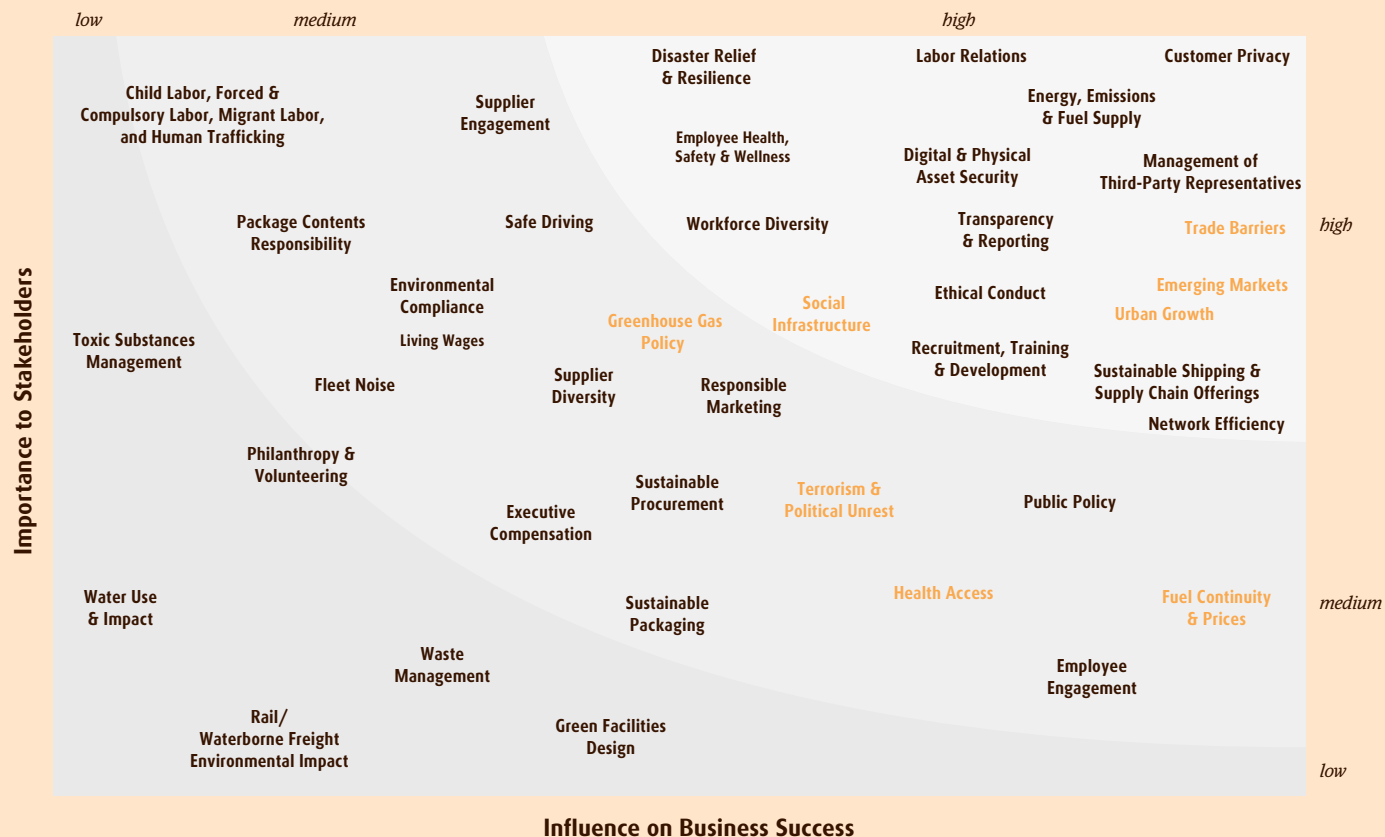


IMPACT/ISSUE AREA:

Areas of significant UPS sustainability impact.

CONTEXTUAL TREND:

Global trends influencing our business and our sustainability strategy.



UPS MATERIALITY MATRIX CONTENT TABLE

Material Issue for UPS	Corresponding GRI G4 Material	Aspect Boundary Within UPS	Aspect Boundary Outside UPS	Location in 2015 Sustainability Report
ECONOMIC*	Economic Performance, Market Presence, Indirect Economic Impact, Procurement Practices	U.S. Package Operations, International Package Operations, Global Supply Chain & Freight	Communities in which we operate	50
CUSTOMER PRIVACY	Customer Privacy	U.S. Package Operations, International Package Operations, Global Supply Chain & Freight	Select external stakeholders	59
DIGITAL & PHYSICAL ASSET SECURITY	Customer Privacy	U.S. Package Operations, International Package Operations, Global Supply Chain & Freight	Not material	60
DISASTER RELIEF & RESILIENCE	Indirect Economic Impact	U.S. Package Operations, International Package Operations, Global Supply Chain & Freight	Communities in which we operate	61
ENERGY, EMISSIONS & FUEL SUPPLY	Energy, Emissions, Environmental Grievance Mechanisms	U.S. Package Operations, International Package Operations, Global Supply Chain & Freight	Global providers of purchased transportation services	77, 78

UPS MATERIALITY MATRIX CONTENT TABLE CONTINUED

Material Issue for UPS	Corresponding GRI G4 Material	Aspect Boundary Within UPS	Aspect Boundary Outside UPS	Location in 2015 Sustainability Report
LABOR RELATIONS	Labor/Management Relations, Freedom of Association & Collective Bargaining, Human Rights Grievance Mechanisms, Labor Practices Grievance Mechanisms	U.S. Package Operations, International Package Operations, Global Supply Chain & Freight	Not material	44
WORKFORCE DIVERSITY	Diversity and Equal Opportunity, Equal Remuneration for Women and Men	U.S. Package Operations, International Package Operations, Global Supply Chain & Freight	Not material	31
EMPLOYEE HEALTH, SAFETY & WELLNESS	Employment, Occupational Health and Safety	U.S. Package Operations, International Package Operations, Global Supply Chain & Freight	Not material	36
RECRUITMENT, TRAINING & DEVELOPMENT	Training and Education	U.S. Package Operations, International Package Operations, Global Supply Chain & Freight	Not material	40
ETHICAL CONDUCT	Anti-Corruption, Anti-Competitive Behavior, Compliance (Society)	U.S. Package Operations, International Package Operations, Global Supply Chain & Freight	Agents and outside service providers engaged by UPS	46
MANAGEMENT OF THIRD-PARTY REPRESENTATIVES	Supplier Environmental Assessment, Supplier Assessment for Labor Practices, Supplier Human Rights Assessment	U.S. Package Operations, International Package Operations, Global Supply Chain & Freight	Agents and outside service providers engaged by UPS	56
SUSTAINABLE SHIPPING & SUPPLY CHAIN OFFERINGS	This issue arose during the materiality process but does not map directly to a GRI G4 material aspect. We provide additional content on this item throughout the Report.			66
TRANSPARENCY & REPORTING	This issue arose during the materiality process but does not map directly to a GRI G4 material aspect. We provide additional content on this item throughout the Report.			74
NETWORK EFFICIENCY	This issue arose during the materiality process but does not map directly to a GRI G4 material aspect. We provide additional content on this item throughout the Report.			74
Contextual Trend	Description			Location
TRADE BARRIERS	This trend arose during the materiality process. We provide additional information in the Report to explain its significance to UPS.			53
URBAN GROWTH	This trend arose during the materiality process. We provide additional information in the Report to explain its significance to UPS.			85
SOCIAL INFRASTRUCTURE	This trend arose during the materiality process. We provide additional information in the Report to explain its significance to UPS.			52
EMERGING MARKETS	This trend arose during the materiality process. We provide additional information in the Report to explain its significance to UPS.			54

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