Creating Our Tomorrow, Sustainably

2018 CORPORATE SUSTAINABILITY HIGHLIGHTS
From delivering packages between cities to transporting freight across borders, UPS is a critical player in facilitating global trade and supporting the world economy. With three percent of global gross domestic product (GDP) flowing through our network every day, we are a key part of our customers' supply chains, helping businesses reach new markets and enabling economic development.

But the world is changing fast, and we do not take this leadership position for granted. We’ve earned our leadership role as a result of more than 112 years of embracing innovation, being first-movers in nascent marketplaces, and making our competitors chase and copy our bold moves. Simply put, we’ve understood that there’s a reason our windshields are bigger than our rearview mirrors, and we’ve always embraced the future.

Today, we’re managing the impact of new competitors, as well as megatrends such as e-commerce, urbanization, technological innovation and climate change that are fundamentally shifting markets and everyday life. Our biggest threat? A status quo mindset that inhibits new thinking and industry-leading, category-creating innovation.

To continue advancing our industry leadership, we embarked on a journey more than a year ago to transform nearly every aspect of our business, from leadership and culture, to operations and our go-to-market strategy. By embracing megatrends shaping the future, we are not only improving our operational efficiency, but also creating more sustainable practices that will strengthen our business in a changing world.

**Modernizing our network**

A critical outcome of our transformation is to make UPS the fastest, most technology-enabled and responsive company in our industry. We are expanding the use of route optimization and navigation software that reduces fuel and emissions across our network, from package pick-up to delivery. In London, we’re testing smart-grid technology that can charge an entire fleet of electric vehicles simultaneously – a groundbreaking move. Since 2009, we have invested more than $1 billion in alternative fuel and advanced technology vehicles and infrastructure globally, with more than 10,000 of these vehicles in our fleet today. We are also collaborating with cities to create innovative last-mile delivery solutions that reduce congestion and pollution in dense urban centers, with more than 30 projects currently underway around the world.
Enabling customer growth

UPS's strategic growth imperatives include focused investments in areas that will create a more inclusive global economy. For example, we are enhancing services for small- and medium-sized businesses, which comprise approximately 50 percent of U.S. GDP. A recent example is Ware2Go, a new UPS business that matches available warehouse space and fulfillment services across the U.S. with merchants who need the space. By reducing the complexity and cost of logistics for smaller businesses, we are helping this important segment of our economy prosper.

We also continue to expand in international high-growth markets, where we can efficiently connect domestic and export customers through our network. Roughly 95 percent of the world's population lives outside the U.S. – many in emerging markets that are the growth engines for the global economy. UPS is developing tools and partnerships to connect with small business owners in these markets – particularly women — through capacity-building programs that empower them to participate in global trade.

Empowering our people

This transformation wouldn't be possible without a strong team. That's why we're fostering a culture focused on innovation and agility, encouraging UPSers at all levels to think like entrepreneurs and act in bold new ways.

In 2018, we introduced a new internal competition in which dozens of startup teams pitched their ideas to UPS leadership. Four teams received funding in 2018 to operationalize new solutions and services that will help customers streamline returns, reduce waste and conduct transactions more safely. We also hosted hack-a-thons in collaboration with community partners, during which UPSers contributed their technical expertise to bring new thinking to big challenges.

I know that bold thinking exists within every UPSer around the world, and we are creating an environment to unleash it.

Creating our tomorrow

We are undertaking this transformation from a position of strength. A mindset of continuous transformation, combined with the courage to innovate fearlessly, will ensure our continued strong growth into the future.

It's been said that the best way to predict the future is to create it. At UPS, we're choosing to create a future that is connected, sustainable and inclusive. It's not always the easy path. But exponential change brings exponential opportunity if we have the resolve to do what it takes.

David Abney
Chairman and CEO
TRENDS DRIVING TOMORROW

How We’re Responding to Global Megatrends

UPS’s global logistics network carries 3 percent of the world’s gross domestic product (GDP) on a daily basis. Here are the principal dynamics shaping how that network evolves in the future.

A growing share of the world’s population lives in cities.

3 million+ people are moving to cities weekly.¹

65% of the global population will live in cities by 2050.²

UPS is investing in sustainable urban logistics solutions that reduce congestion and pollution in cities, and in new types of delivery vehicles, such as electric bicycles and tricycles that can easily maneuver through dense urban centers. Today, we are working on more than 30 pilot projects in cities around the world.

Emerging economies are fueling GDP growth.

62% of total growth in global consumption will come from emerging markets by 2030.³

Much of GDP growth over the next 20 years is expected to be concentrated in Asia, Latin America, and ISMEA.⁴

UPS’s transformation strategy focuses on four strategic growth imperatives, one of which is expanding our reach in emerging and high-growth markets around the world. We are enhancing services in these markets through programs that empower small business customers and help them grow to participate fully in the global economy.

Emissions and pollutants from fossil fuel combustion and other sources are accelerating the impacts of climate change and poor air quality in cities.

20% of global energy and process-related CO2 emissions come from heavy transport.⁵

90% of people worldwide breathe polluted air, with many megacities exceeding safe pollutant levels several times over.⁷

UPS recognizes that GHG emissions impact the climate and pose a serious challenge to the environment and global economy. The scale of our global integrated logistics network enables multimodal transport to ensure environmentally efficient delivery for our customers. Through route optimization, alternative fuel and fleet innovations, and city collaborations to create delivery solutions that reduce pollution and congestion, we are advancing toward a lower-carbon and more resilient future.

More people will continue to buy more things online.

10% of U.S. retail sales are conducted via e-commerce.⁵

$5 billion is spent globally on digital commerce platforms.⁶

Advances in data analytics and automation technology help us better manage surges in package volume throughout our network. We continue to innovate new delivery solutions, such as UPS My Choice® services and UPS Access Point™ locations, to enhance customer convenience and provide more flexible deliveries.

Sources: 1 Grayline Group; 2 The United Nations; 3 Fortune; 4 Swiss Re Institute; 5 Digital Commerce 360; 6 Shopify Plus and Statista; 7 World Business Council for Sustainable Development; 8 World Health Organization; 9 Man Power Group; 10 Korn Ferry Institute
Sustainability at UPS

Sustainability is an inherent part of UPS’s strategy and business operations. As a global leader in logistics and supply chain solutions, we transport packages and freight, facilitate international trade, and apply advanced technology to efficiently manage the world of business. In this role, we have the opportunity to reduce greenhouse gas (GHG) emissions for the supply chains of many businesses.

Our integrated network and scale position us to transport and deliver products for many of our customers more efficiently than they could do on their own. Therefore, operating more sustainably benefits not only UPS, but also our customers, reducing the emissions intensity of supply chains worldwide. Given the far-reaching impacts of all that we do, UPS has set an ambitious goal to reduce the absolute GHG emissions of our global ground operations 12 percent by 2025. This goal is backed by three supporting targets to spur the use of renewable fuels and new technologies throughout our operations: by 2020, one in four of the vehicles we purchase will employ alternative fuel or advanced technology; by 2025, 40 percent of all ground fuel will come from sources other than conventional fuels and 25 percent of total electricity will come from renewable sources. Our scale works in our favor here as well: our investments in innovative technologies pave the way for sustainable benefits and market adoption.

Scale benefits us in other ways, too. We employ more than 481,000 people and reach thousands of communities across more than 220 countries and territories. As a result, our view of sustainability is broad and interconnected, extending beyond the environment to include the long-term economic viability of our business and that of our customers, the empowerment of our people, and the needs of communities around the world. Employee safety is a top priority and we have set goals to reduce instances of lost-time injuries and auto accidents. And we are a valued community partner. By the end of 2020, UPS aims to have volunteered 20 million hours, planted 15 million trees, and made $117 million in annual charitable contributions through The UPS Foundation.
How Today’s Challenges Are Shaping Tomorrow’s Opportunities

Crystal Lassiter, UPS Senior Director, Global Sustainability & Environmental Affairs

In 2016, we established our multi-year sustainability goals aimed at reducing UPS’s environmental footprint, advancing industry-leading employee safety programs, and giving back to the communities we serve. Our sustainability goals are ambitious by design, driving us to push the limits of what is possible and to create innovative solutions for the world’s pressing problems.

I’m proud to report we’re making progress toward our commitments. We’re more than halfway toward our goal to reduce auto accidents 3 percent by the end of 2020, and we’re on track to plant 15 million trees and volunteer 20 million hours by the same year.

In other areas, we’re facing headwinds.

Our most ambitious goal is to reduce absolute emissions 12 percent across our global ground operations by 2025. In the logistics industry, renewable energy is critical to cutting emissions. We’ve set targets to use more renewable energy to fuel our fleet and power our facilities, and to continue expanding our rolling laboratory of lower-emission vehicles. Despite these investments, our emissions in 2018 increased 6.2 percent over a 2015 baseline, primarily driven by skyrocketing growth in e-commerce.

To expand our global network capacity to handle this growth, we’ve added more delivery trucks to our fleet and introduced service enhancements, such as Saturday Ground pick up and delivery, to meet our customers’ demand for more opportunities to serve their customers. During 2018, we built 22 new facilities, including investments in automation technology and infrastructure upgrades. We’re driving more miles, using more energy, and generating more emissions in response to market demands and to serve the growing supply chain needs of our customers.

Sustainability Goals

**ENVIRONMENTAL GOALS**

- **12% by 2025**
  Reduction in Absolute GHG Emissions in Global Ground Operations

- **25% by 2025**
  Electricity From Renewable Sources

- **40% by 2025**
  Alternative Fuel as a Percentage of Total Ground Fuel

- **25% by 2020**
  Total Vehicles Purchased Annually That are Alternative Fuel or Advanced Technology Vehicles
There are also external market forces at play. The e-commerce boom has changed buyer behavior—consumers have become accustomed to getting nearly anything they want, when and where they want it. And while we continue deploying lower-emission vehicles and piloting smart-grid technologies, other emerging innovations, such as fuel cell technology and battery storage, are developing more slowly than expected.

E-commerce growth has also affected our workforce goals. To handle record package volume, we’ve ramped up recruiting efforts, welcoming nearly 30,000 more employees in 2018 compared to 2017. During that same time, our lost time injury frequency rate—which measures injuries resulting in time away from work—increased 8.8 percent, reflecting a decline in performance over 2017. Through an analysis of our safety training and processes, we learned most of these injuries occur during the first year of employment.

To address the injury rates among newer employees, we are reinforcing safety principles during the onboarding process and incorporating new technologies, such as virtual reality driver training, that help people work safer and smarter. Health and safety committees across our operations are taking an active role in mentoring new employees as they learn UPS’s safety techniques. Investments in new technologies are enabling us to improve monitoring and employee engagement, and expand the reach of our safety committees.

Our business is growing at an unprecedented rate, and e-commerce shows no signs of slowing down. Nevertheless, we remain committed to these goals and are taking steps to accelerate momentum and drive progress. In addition to cutting absolute emissions, we are also working to reduce carbon intensity 20 percent across our operations by 2020. Since 2007, we have realized an overall reduction of 16.5 percent toward this goal. From 2008 through 2018, we invested $1 billion in alternative vehicles, fuels, and infrastructure. In 2019, we plan to make the largest purchase of renewable natural gas ever made in the U.S., and will continue collaborating with vehicle manufacturers, fuel suppliers, and other stakeholders to create more sustainable delivery solutions.

At UPS, we see these challenges as opportunities in disguise, and we remain steadfast in our commitment to sustainability. We’ll continue collaborating with stakeholders to develop new ideas, test new technologies, and pioneer new solutions that are better for the environment, our employees, and our business.

To learn more about our progress in 2018 toward our goals, visit the Sustainability Progress Report at ups.com/sustainabilityreport.
An Integrated Approach to Diversity & Inclusion

UPS is a global company—and is becoming even more so as much of the world’s economic and population growth continues to occur in emerging markets. We must ensure that the demographics and experiences of our workforce and supply base reflect the wide range of customers we serve.

We have the potential to do more and be more by integrating often disparate efforts into a well-coordinated strategy that leverages people and resources across a complex global organization. By cultivating a diverse and inclusive environment, we can increase talent engagement, foster innovation, enhance customer service, and ultimately drive better financial performance.

See how we’re taking an integrated approach to diversity across our key stakeholder groups of employees, customers, suppliers, and communities:

**EMPLOYEES**
Energizing a fair, inclusive, and authentic workplace for employees who bring varied experiences, backgrounds, and expertise to the business.

**CUSTOMERS**
Supporting customers around the world who bring varied business opportunities and challenges.

**COMMUNITIES**
Creating opportunities and empowering all people in the thousands of communities where UPSers live and do business every day.

**SUPPLIERS**
Using combined expertise to serve customers’ evolving needs and the sustainable growth of UPS.

Learn more about UPS’s diversity & inclusion programs at ups.com/sustainability.

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**DIVERSITY AT A GLANCE**

- **200+** Global Business Resource Groups
- **220+** Countries and Territories
- **$15 Million** in Diversity & Inclusion Investments From The UPS Foundation
- **$2.6 Billion** Spent With Small & Diverse Suppliers in 2018
Power of Partnership

Advancing Sustainability With Innovative Partners

When it comes to finding sustainable ways to make use of the planet’s resources, we are quite literally all in this together. UPS can only advance its sustainability goals by collaborating with those who manufacture our logistics assets, like vehicles and fuel. By the same token, UPS plays a role in helping companies in other industries reduce environmental impacts in their supply chains make it all possible. One recent collaboration is with long-time UPS customer TerraCycle, who we have joined forces with to reduce single-use packaging.

Few people remember a time when the milkman would deliver glass bottles filled with milk to families’ homes, then return a few days later to collect the empty bottles to be cleaned and reused. This bygone business model is being reborn through Loop™, a groundbreaking system created by TerraCycle, an international recycling leader.

Loop provides a variety of consumer goods in reusable and returnable packaging. Customers order products online, then UPS delivers the items to the customer’s door packaged in a durable Loop-branded “tote.” Customers use the products, then UPS collects the tote with empty containers, which are then cleaned and refilled. Products are available from the world’s largest consumer goods companies, including Procter & Gamble, Unilever, Nestle, PepsiCo, Danone, Mars Petcare, and Mondelēz International.

UPS is a long-time logistics provider for TerraCycle, having helped the company navigate the complexities of moving goods across global borders. It was a natural next step for TerraCycle to ask UPS for input on the Loop concept and tote. UPS’s Package Design and Test Lab provided design consultation, incorporating learnings from thousands of packaging tests that helped shape the final innovative tote. The lab also tested the reusable tote to ensure it could withstand high-volume shipping in UPS’s facilities.

Loop is being piloted in the mid-Atlantic U.S. and Paris, with plans to expand to other cities through 2020.
Rewriting the Urban Delivery Playbook, One City at a Time

Today, more than half of the world's population lives in cities. The share of urban dwellers is expected to increase over the coming decades. This growth is only adding to the already common challenges of emissions pollution and congestion, caused not only by an increasing number of residents but also by surging e-commerce and new business models like ridesharing.

UPS is helping address these issues through electric vehicles and a range of delivery solutions powered by bicycles and tricycles—all of which operate with zero emissions. Pedal-powered vehicles are more maneuverable than package cars and can often travel places that other vehicles can't, such as bike lanes, sidewalks, and narrow city streets. This makes them ideal for making deliveries in dense urban areas.

What began in 2012 with one eBike in Hamburg, Germany, has expanded to more than 30 pilot projects in cities around the world. Here are some of our latest sustainable urban logistics solutions:

**DUBLIN**
E-trikes have fully replaced diesel delivery vehicles in central Dublin, which also uses an Eco Hub model to centralize delivery pickups. For the first time in this city, UPS ran a local competition to create artwork for the container. Today, the Eco Hub has transcended function and is now part of the art of the city.

**MUNICH**
Munich, another early adopter of urban logistics solutions, today uses a combination of standard bicycles and eBikes. The city was one of the first to pilot the e-trike built by Rytle, a German startup partnering with UPS in several European cities. We are now experimenting with a newly designed Rytle eBike that incorporates a removable and preloadable load box.

Learn more about our sustainable urban logistics solutions at ups.com/citysolutions.
ALTERNATIVE VEHICLES

The Latest News From the UPS Rolling Laboratory

Much of our work happens on the road. That’s why UPS takes a “rolling laboratory” approach to its fleet, working with manufacturers, government agencies, and other stakeholders around the world to test prototypes in real-world scenarios before vehicles are ready for commercial deployment.

With one of the largest private commercial fleets in the world, this strategy not only gives us access to vehicles on the leading edge of technology, but it allows us to lead our industry and encourage manufacturers to innovate more fuel-efficient, safe, and affordable vehicles. Here are two examples of recent investments in sustainable fleet technologies:

ARRIVAL
Thanks to years of collaboration with U.K.-based technology firm ARRIVAL, UPS will soon have its first electric delivery vehicles in Europe purpose-built to our specifications. A pilot fleet will first be tested in London and Paris. The vehicles will come equipped with Advanced Driver Assistance Systems that provide the driver with an intelligent, connected vehicle with zero tailpipe emissions.

RENEWABLE NATURAL GAS
UPS is the largest consumer of renewable natural gas (RNG) in the transportation sector. Since 2014, we have used more than 28 million gallons of the fuel in our ground fleet, which reduces the need for fossil fuels by supporting the capture and use of harmful methane gas. We recently announced an agreement to purchase 170 million gallon equivalents of RNG through 2026 from Clean Energy Fuels Corp.

In today’s business world it’s not enough just to adapt to change. You’d better be leading the change—and UPS is doing just that with our investments in innovative fleet technology.

Carlton Rose, President of Global Fleet Maintenance & Engineering

Visit www.ups.com/sustainability to learn more about UPS’s commitment to more sustainable fuels and vehicle technologies.
Making Our Logistics Network Smarter Than Ever

When people think about our global logistics network, brown trucks and jumbo jets are top of mind. But that's just the start of a vast portfolio of assets, expertise, and advanced technologies that combine to provide our customers with a way to move materials more efficiently than they could by themselves.

Think of it this way: UPS provides a way for customers to “carpool” their goods rather than driving them on their own. That efficiency ultimately translates into sustainable benefits and avoided emissions.

The exponential growth of e-commerce and the resulting increase in package volume is placing more demand on our network than ever before. We are continually evolving our smart logistics network to incorporate real-time data, artificial intelligence, machine learning, and other technological advancements to take network efficiency to its next level of performance.

We are in the midst of a multi-year capital investment program to construct and renovate facilities with higher levels of automation, acquire new highly-efficient aircraft and ground fleet vehicles, and enhance information technology platforms. In 2018, we opened 22 new and retro-fitted highly automated facilities globally, adding 5 million square feet with additional sorting capacity of 400,000 packages per hour across our network. These include the addition of five U.S. regional “super hubs” that increase the speed and flexibility for how packages are transported to their final destinations. In 2019, we plan to add even more capacity at 20 new and retro-fitted facilities, including two regional “super hubs.”

All of the new facilities incorporate UPS’s latest in package processing and network planning technology, seamlessly integrating air and ground operations across the U.S. and around the globe.

“We are accelerating innovative technology advancements that are enabling us - and our customers - to operate more efficiently and sustainably.”

Juan Perez, Chief Information and Engineering Officer

Learn more about our highly efficient and automated facilities at ups.com/sustainability
SUSTAINABILITY SOLUTIONS

A Smart & Sustainable Shipping Journey

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

ANALYZING
An updated Carbon Impact Analysis solution uses a dashboard that allows customers to view their emissions data in multiple ways, such as by mode, service level, or business unit. Based on a customer’s emissions, we offer optimization techniques that improve efficiency and reduce impact.

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

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

RECEIVING
UPS My Choice® services enable customers to adjust delivery times or locations, while UPS Access Point™ locations enable package pick up from a centralized location. These solutions increase customer convenience and help avoid unnecessary trips, miles, and emissions.
For customers in multiunit buildings, the Latch smart access device permits UPS drivers to enter buildings and deliver packages to a lobby or package room. This enables drivers to deliver more packages on the first attempt.

RETURNING
We simplify returns with turnkey packaging, preprinted labels, and more than 150,000 convenient drop-off and pickup locations. UPS Returns™ Manager allows customers to print return labels directly from the UPS tracking results page and provides merchants with online management and visibility of returns. UPS’s reverse logistics solutions also help customers reclaim and refurbish products to be used again.

The UPS chatbot, now available on mobile phones and smart speakers, uses artificial intelligence to share information about package deliveries and other UPS® services. The chatbot integrates with UPS My Choice services, and provides a conversational interface that allows customers to ask questions like, “Are any packages coming to my house?”
Promoting Safety Around the Globe

One idea. Hundreds of UPSers. Tens of thousands of miles. And countless ways to stay accident- and injury-free. The UPS Safety Relay traveled around the world and connected UPS employees with a message of camaraderie and teamwork.

Where did the idea come from?
Jeremy Giles, a package car driver from Tempe, Arizona, saw an ad involving a relay baton. That led to a flash of inspiration: what if UPS had a “safety baton”? He and fellow driver Rod Palmer created the UPS Safety Relay: a challenge for facilities to operate accident- and injury-free, then pass the baton – and share what they learned – onto another location.

How did they get the word out?
Giles took to Twitter to reach UPS teams around the world with the #UPSSafetyRelay hashtag. The social component helped capture interest across the world and soon Giles was receiving messages from facilities in Europe and Asia, asking when they could take a turn.

How did the challenge work?
Each facility kept a baton for one week, during which they were challenged to go “0/0,” meaning zero auto accidents and zero injuries. Throughout the week, UPSers shared photos and videos of the baton with local safety training activities. Each work group that successfully achieved 0/0 had their name etched on the baton.

Where did the batons travel?
Beyond visiting all 50 U.S. states and 30 other countries, UPS employees had fun photographing the batons in their workplaces and near local landmarks. Batons went surfing in Hawaii, hiking on the Appalachian Trail, and on a visit to the Washington Monument. They also visited Russia’s Red Square and temples in Indonesia.

What was the impact?
The UPS Safety Relay accomplished much more than promoting employee safety for a week. It ignited a cultural shift that has brought teams everywhere closer together. “People tell me they’ve never seen so much teamwork in their work groups,” Giles says. “Walls have fallen and barriers are broken between hourly workers and management, and that’s great to see.”

Visit ups.com/sustainability to read more stories about the UPSer experience.
Support Before & After Disaster Strikes

The effects of a disaster continue long after flames extinguish or flood waters recede. The lasting impact on communities depends on many factors, from the documentation of physical infrastructure in place before a crisis and coordination among relief partners, to the scope and duration of recovery efforts.

Knowing that every stage—from years before to years after a disaster strikes—affects a community’s long-term outcomes, The UPS Foundation aims to provide integrated support to help communities prepare, respond, and recover. Here are a few of the ways we helped in 2018:

**Prepare**
The UPS Foundation provides loaned managers, technical assistance, and global thought leadership to help communities and relief partners expand their capacity and reduce risk in advance of disasters. For example, in 2018 The UPS Foundation launched a Community Pandemic Preparedness Program in Uganda, helping the Red Cross reach out to small businesses and conduct disaster resilience workshops.

**Respond**
During sudden-onset disasters and complex emergencies, UPS mobilizes logistics experts and our global delivery network to transport urgent relief items to communities in crisis. In 2018, The UPS Foundation responded to 29 disasters around the world. We donated more than $2 million in the wake of Hurricanes Florence and Michael, funded more than 200 shipments of supplies, and coordinated relief efforts on the ground.

**Recover**
A core mission of The UPS Foundation’s Humanitarian Relief & Resilience Program is seeing areas impacted by disaster through to recovery—even if it takes years. We continue supporting long-term recovery efforts, such as shipping construction materials to communities recovering from Hurricane Harvey, and sending 53 relief shipments on behalf of UNICEF to those affected by Hurricanes Irma and Maria.

Learn more about our Humanitarian Relief and Resilience efforts at [www.ups.com/foundation](http://www.ups.com/foundation).
Visit ups.com/sustainabilityreport to read the full Progress Report and the 2018 UPS GRI Content Index.