On the Leading Edge

UPS 2017 Corporate Sustainability Progress Report



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Our Reporting Strategy

We are pleased to present UPS's 16th annual Corporate Sustainability Report. Continuous improvement and leadership have been hallmarks of our reporting efforts through the years. For the 2017 reporting cycle, we have introduced a new storytelling format to better meet the needs of our stakeholders and readers. This format separates stories about new initiatives and other developments from the data requirements of the Global Reporting Initiative (GRI). The UPS 2017 Corporate Sustainability Progress Report chronicles our 2017 performance, initiatives, and engagements across the four pillars that comprise our Committed to More™ sustainability strategy. All GRI Standards disclosures for our comprehensive level of reporting are now located directly in the 2017 UPS GRI Content Index. Both documents (referred to as "this Report") can be found at ups.com/sustainability in interactive and downloadable PDF formats.

Note: Unless noted otherwise, data for UPS subsidiaries Coyote Logistics and Marken are not reflected in this Report.



The world is changing, and so are we. The e-commerce revolution continues to disrupt how goods and services are bought and sold, creating new demands and opportunities for our global logistics network. We're making bold investments in advanced technologies to keep pace with this change, taking our integrated network to new levels of efficiency that translate into tangible sustainability benefits.



Investing for a More Sustainable Future

In 2017, UPS embarked on a major transformation that will result in the most significant upgrade of our operations in decades. We are exploring real-time data, mobile connectivity, robotics, blockchain, and other cutting-edge technologies to seamlessly integrate our digital and physical networks, modernize our facilities and fleet, and better manage our operations.

David Abney,
Chairman and Chief Executive Officer
UPS

This transformation will increase capacity so we can deliver more freight and parcels, improve network flexibility to shift volume to alternative transportation modes and UPS processing locations in response to weather or other contingencies, and enhance service dependability by reducing the chance of human error. Further, these technologies will generate significantly improved facility and fleet operating efficiency by capitalizing on innovations that advance our sustainability goals, which include using more renewable electricity and alternative fuels, and reducing our greenhouse gas emissions in absolute terms.



In 2017, we continued expanding our "rolling laboratory" — UPS's fleet of approximately 9,100 alternative fuel and advanced technology vehicles. As part of our recent $90 million investment in natural gas infrastructure, we added nearly 1,200 vehicles and powered this specialized fleet with more than 115 million gallons of lower-carbon fuels.

UPS has a long history with electric vehicles, having introduced them into our fleet in the 1930s. We accelerated



our efforts in 2017 with our pre-order for 125 of the Tesla fully electric Semi trucks when they begin production in 2019. We're also collaborating with another supplier, Workhorse Group, to deploy electric delivery vehicles that are comparable in acquisition cost to conventional gasoline- or diesel-powered trucks — an industry first that removes a key barrier to large-scale adoption. These new vehicles will need recharging, so in 2017 we joined a consortium in the United Kingdom to deploy smart-grid technology that enables simultaneous recharging of an entire fleet of electric vehicles. If feasible, this technology will eliminate the need for expensive upgrades to the power grid.

This electrification strategy is part of broad-based collaborations with city partners to develop new package delivery solutions that limit congestion, smog, and noise — critical issues in dense urban areas. In 2017, we launched a "depot-to-door" pilot in London that uses an electrically assisted trailer to deliver packages from a central location. In Dublin, we introduced an "eco package hub," a mini distribution center from which UPS drivers make deliveries by foot or eBike. With more than 1,000 electric or hybrid electric vehicles in operation around the world, we expect to continue leading the charge on fleet electrification and innovative urban logistics solutions.

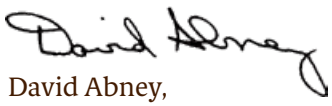
The new technologies we're testing — and deploying — provide benefits that extend far beyond operational efficiencies and environmental improvements. They also help UPSers around the world work safer and smarter. In 2017, we invested more than $209 million in safety training, including virtual reality technology that helps employees practice defensive driving techniques in real-world simulations.

"The new technologies we're testing — and deploying — provide benefits that extend far beyond operational efficiencies and environmental improvements."

In addition, we expanded the use of collision mitigation systems on our vehicles to help keep drivers and the public safe on the road. Today, more than 60 percent of our tractor-trailer trucks are now equipped with this technology. With these investments bolstering our health and safety programs, we expect to continue to lead the industry with low accident and injury rates.

UPS's proud legacy of innovation also extends to our community partners around the world. For decades, we have helped humanitarian relief organizations use innovative logistics technologies to respond to disasters more efficiently and effectively. In 2017, we worked with American Red Cross and drone manufacturer CyPhy Works to test drones for assessing damage in the wake of disasters. We also expanded our groundbreaking drone delivery partnership with Zipline and with Gavi, the Vaccine Alliance — doubling the number of facilities that receive urgent medical supplies in remote areas of Rwanda.

I am proud of the progress we have made and proud of the ingenuity of UPSers to develop innovative business and sustainability solutions. However, 2017 was not without its challenges. E-commerce growth continued to drive unprecedented package volume, and, in our business, more package volume means more miles and emissions. While we did not progress as fast as planned to reach all of our environmental targets in 2017, I am confident that the investments we are making today will accelerate progress toward our 2020 and 2025 goals. We will continue to explore and develop new solutions to make the industry's most efficient network even more sustainable.



David Abney,
Chairman and Chief Executive Officer
UPS

Our Global Network

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

Who We Serve

10.5 Million+
Customers Daily

46 Million+
UPS My Choice® Members
(as of June 2018)

220+
Countries and Territories Served

Where We Go

5.1 Billion
2017 Delivery Volume

Americas
Asia-Pacific
Europe
Indian Subcontinent, Middle East, and Africa (ISMEA)
USA

20 Million
Package Deliveries Daily

How We Do It

454,000+
Global Employees

2,240+
Daily Flight Segments

119,000
Vehicles

2,500+
Worldwide Operating Facilities

27,500+
UPS Access Point™ Locations

~9,100
Alternative Fuel or Advanced Technology Vehicles

580+
Owned and Leased Aircraft

GLOBAL SMALL PACKAGE

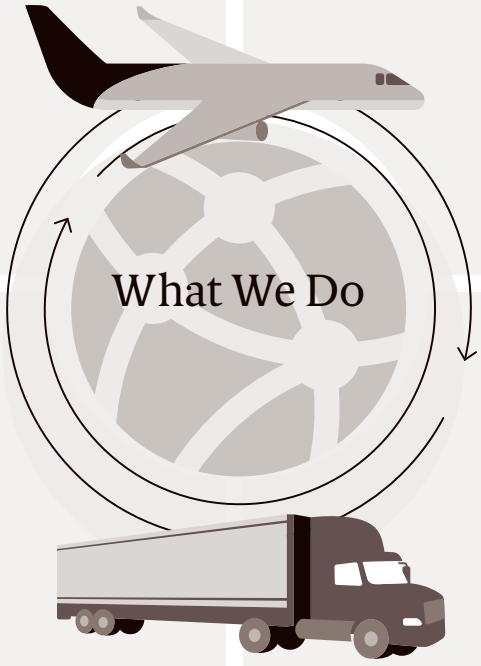
Full spectrum of ground and air package shipping services



LOGISTICS & DISTRIBUTION

Solutions that manage the flow of goods from receiving and storage to processing and shipping







Traditional and nontraditional financial and payment services through UPS Capital

INSURANCE & FINANCING



A global portfolio of brokerage, less-than-truckload and full truckload services, and air and ocean freight services

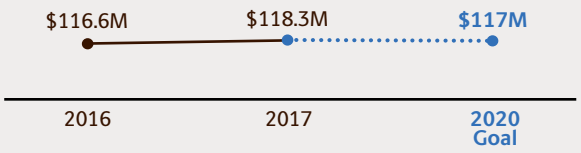
FREIGHT FORWARDING

Sustainability Goals & Progress

In 2016, UPS reaffirmed its commitment to sustainability by setting new multiyear, enterprise-wide goals, including targets to address our environmental impacts, advance our industry-leading safety programs, improve employee engagement, and strengthen the communities where we live and work. We have made progress toward these goals. More information about our performance in 2017 can be found throughout this Report.

Total Annual Charitable Contributions[1]

Total contributions for global operations.



Record contributions in 2017 put our 2020 goal well within reach.
2020 goal was adjusted to reflect enterprise transformation initiatives. Learn more on page 60.

Global Volunteerism[1]

Hours volunteered, cumulative since 2011.



Employees and friends volunteered 2.9 million hours in 2017.

Global Forestry Initiative

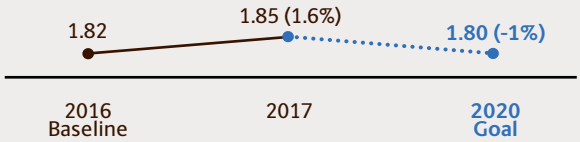
Trees planted, cumulative since 2012.



Trees planted in 54 countries, funded in part by $2.7 million in grants to our NGO partners.

Lost Time Injury Frequency

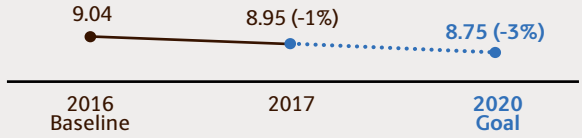
Injury cases involving days away from work. This number represents the number of occurrences per 200,000 hours worked.



A slight increase in 2017 was due to a growing seasonal and part-time workforce impacted by capacity demands and shipment dynamics of e-commerce.

Auto Accident Frequency

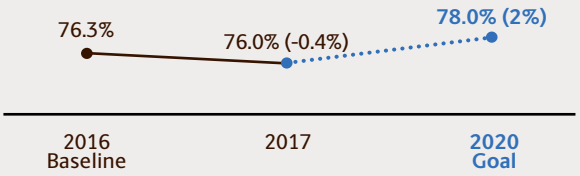
Total number of vehicular accidents (regardless of severity) per 100,000 driver hours.



Performance improved slightly over 2016, in part due to investments in driver training and technology.

Employee Engagement Index[1]

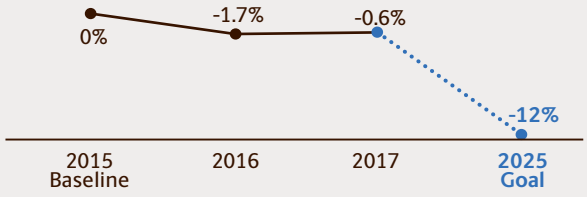
Measurement in employee practices through feedback, research data, and our employee experience initiative.



While levels remain essentially unchanged, improving engagement remains a key focus.

Absolute GHG Emissions of Global Ground Operations[2]

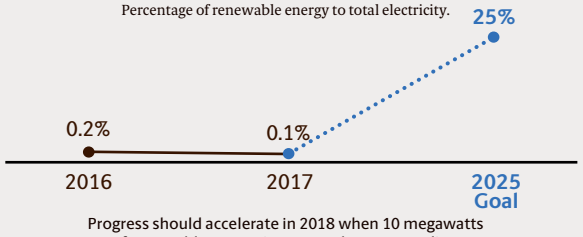
Reduction in CO_2e metric tonnes since 2015.



Growing e-commerce volume requires fleet expansion, which creates headwinds due to more miles traveled.

Electricity From Renewable Sources[2]

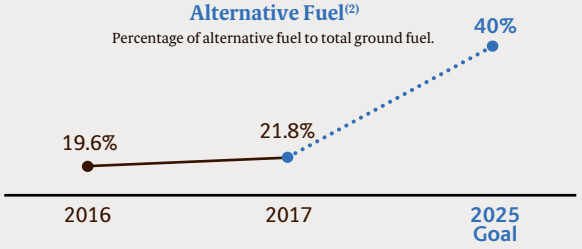
Percentage of renewable energy to total electricity.



Progress should accelerate in 2018 when 10 megawatts of renewable energy is expected to come online.

Alternative Fuel[2]

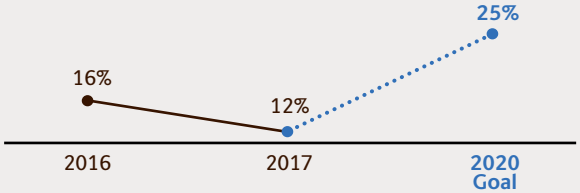
Percentage of alternative fuel to total ground fuel.



We purchased 115 million gallons of alternative fuels in 2017, including renewable natural gas, biodiesel, and ethanol.

Total Alternative Fuel & Advanced Technology Vehicles[2]

Percentage of alternative fuel and advanced technology vehicles purchased annually.



Our alternative fuel and advanced technology fleet is now approximately 9,100 vehicles strong, even though investment slowed in 2017.

(1) Does not include data from UPS subsidiaries Coyote Logistics and Marken.
(2) Does not include data from UPS subsidiary Marken.

Sustainability at UPS

UPS is a global company with more than 454,000 employees, serving 10.5 million customers in more than 220 countries and territories. As we continue to refine our sustainability strategy, we consider macro trends, global frameworks such as the U.N. Sustainable Development Goals, and stakeholder feedback, which serve as inputs to identify issues that are material to our business. The topics below have emerged as priorities for our stakeholders and our long-term business success, and shape our global sustainability strategy, commitments, and initiatives. We've set 2020 and 2025 goals to hold ourselves accountable and measure the effectiveness of our strategy.

Global Trends

- Population Growth
- E-Commerce
- Competition for Talent
- Urbanization
- Emerging Markets
- Climate Change

Material Issues to Focus Our Efforts

ECONOMIC ENHANCEMENT

- Global Trade
- Data Privacy
- Transparency & Reporting
- Management of Third-Party Representatives
- Digital & Physical Asset Security
- Package Contents Responsibility
- Emerging Markets

EMPOWERED PEOPLE

- Recruitment & Development
- Ethical Conduct
- Workforce Diversity
- Labor Relations
- Employee Health, Safety & Wellness

ENVIRONMENTAL RESPONSIBILITY

- Emissions & Fuel Supply
- Congestion
- Greenhouse Gas Policy

CONNECTED COMMUNITY

- Safe Driving
- Humanitarian Relief & Resilience

Sustainability Goals

2020 WORKFORCE GOALS

1% Improvement	3% Improvement	2% Improvement
Lost Time Injury Frequency	Auto Accident Frequency	Employee Engagement Index

2020 COMMUNITY GOALS

$117 Million*	20 Million	15 Million
Total Charitable Contributions	Global Volunteerism Hours (Cumulative)	Global Forestry Initiative Tree Plantings (Cumulative)

** Adjusted target from previously stated goal of $127M to reflect enterprise transformation initiatives.*

ENVIRONMENTAL GOALS

12% by 2025	25% by 2025	40% by 2025	25% by 2020
Reduction in Absolute GHG Emissions in Global Ground Operations	Electricity From Renewable Sources	Alternative Fuel as a Percentage of Total Ground Fuel	Total Vehicles Purchased Annually That Are Alternative Fuel or Advanced Technology Vehicles

Leveraging Scale, Driving Efficiency

Sustainability is inherent to UPS's business operations and strategy. In order to understand why, it's helpful to appreciate our scale: we handle more than 5.1 billion packages annually. Scale requires efficiency, and efficiency delivers a sustainability benefit.

This matters not only for UPS, but also for the millions of customers we serve every day. In many industries, the majority of greenhouse gas emissions are embedded in companies' supply chains. Our services are often a critical part of the supply chains of other businesses. We help people receive the materials they need to create products and then help deliver those products to their customers — and we do so far more efficiently than they could on their own. When we operate more efficiently, our customers do, too. As a result, we help reduce the emissions intensity of supply chains worldwide.

Scale also defines other aspects of our impact: We employ more than 454,000 people. We serve more than 10.5 million customers. We generate revenues of nearly $66 billion. We touch thousands of communities across the more than 220 countries and territories we serve. 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.



As an example, the growth and profitability of UPS enables us to invest in new technologies that drive higher levels of efficiency so more environmental benefits can be achieved; in the professional development of our people so that new opportunities are available to them; and in the well-being of communities so that they become more resilient.

Our Committed to More™ platform is based on that interconnected view of sustainability. Sustainability often emphasizes the idea of less, but our sustainability platform is built upon the concept of striving to do more, whether through delivering more packages more efficiently, creating more connections around the world, or finding more ways to take action and give back.



Economic Enhancement



2017 Performance At-A-Glance

REVENUE
$65.9B

CUSTOMER ENTRY POINT LOCATIONS
150,000

UPS ACCESS POINT™ LOCATIONS
27,500+

UPS MY CHOICE® MEMBERS
46M+
(As of June 2018)

PACKAGES DELIVERED
5.1B

METRIC TONNES OF CO2 EQUIVALENT AVOIDED THROUGH UPS CARBON NEUTRAL SHIPPING
94,500+

Creating a More Sustainable World Through Logistics

Today, an entrepreneur in India can create an online storefront and sell her products to customers in Brazil. A manufacturer in China can ship goods to Europe by rail, more quickly and with lower emissions than by ocean transport. A business can purchase carbon credits to offset the environmental impact of its shipping activities. And an electrically powered bike can navigate city streets to deliver a package the last mile to its destination, quietly and with zero tailpipe emissions.

The world is growing more connected, and UPS is playing an important role in that transformation. We enable commerce by connecting individuals and organizations in more than 220 countries and territories. Customers use our broad logistics capabilities, global presence, industry-leading technologies, and innovative solutions to grow businesses and build strong, connected communities.

UPS has a long history of positioning our business to capitalize on growth trends. Today, these trends include e-commerce growth in the retail sector, non-traditional competitors entering the market, logistics outsourcing, expansion of global trade, and emerging market growth. Another trend is the demand for shipping solutions and operating models that consider the impacts of a business on the environment. Climate change can present a risk to our economic performance as countries, territories, and regions enact taxes and fees on transportation and logistics companies to regulate GHG emissions. Because different regions are following different paths with regard to climate change, this risk is impossible to quantify precisely, but the need to mitigate it is clear.





UPS is addressing the risk of climate change and its associated regulation by improving the fuel and emissions efficiency of our business, as well as by educating policymakers and the public about our contributions toward making commerce more carbon-efficient. We do this by using intermodal transportation that includes airplanes, trains, ships, trucks, cars, carts, and bicycles, and by loading every vehicle to maximize shipping volumes and minimize miles traveled. Our fleet includes approximately 9,100 alternative fuel and advanced technology vehicles that further reduce emissions. We offer customers supply chain optimization solutions that help improve inventory management and reduce their carbon footprint. We also reduce unnecessary visits to customer stops — and the associated environmental impact — by consolidating package deliveries to a UPS Access Point™ location or holding shipments at the customer's option so multiple deliveries can be made in a single trip. By making use of these services, our customers become partners in our journey toward greater efficiency.

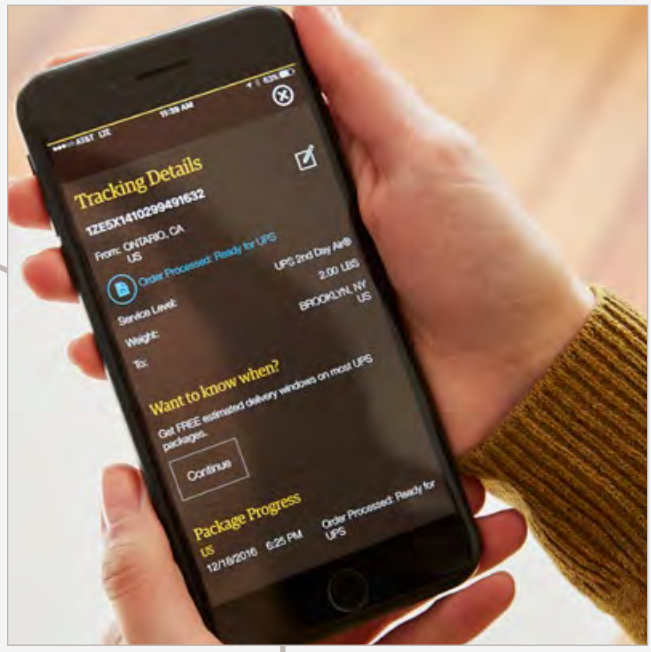


The Next-Generation Logistics Network

A conversation with Juan Perez– UPS's Chief Information and Engineering Officer



Juan Perez,
Chief Information
and Engineering Officer



In 2017, UPS aligned its technology and engineering functions into one organization and named Juan Perez its Chief Information and Engineering Officer. Perez leads a team of UPS engineers and IT professionals who are laser-focused on building our smart logistics network of the future.

Q How is advanced technology changing how UPS views its own business?

A The nature of our work gives us a view across practically all industries, most of which are undergoing massive disruption spurred by technology. Many of them are transforming to create entirely new ways of serving existing needs. We're changing too: updating our technology, developing new solutions, and integrating our systems with our customers' systems to give them newfound flexibility and capabilities. In the process, we're using technology to disrupt our own industry.

In a way, advancements that drive business performance and enhance customer experience have transformed UPS from a logistics and transportation company to a technology company capable of supporting the most complex supply chains.

Q How is the UPS Advanced Technology Group (ATG) addressing these trends?

A UPS formed the ATG in 2017 with a single purpose: to bring the global smart logistics network to life. The smart logistics network will deliver UPS's sustainable future growth by connecting our shippers and receivers through new, data-driven capabilities for distribution, sorting and transportation, and delivery. We're researching, testing, and developing new technologies that will transform UPS's operations and allow us to offer faster, more flexible services for our customers. The smart logistics network improves visibility and efficiency, and uses data and analytics to improve decision-making.

UPS was already exploring many of these technologies, but our ATG is allowing us to iterate and move more quickly. It is also helping us strengthen collaboration with technology companies and academic institutions to explore innovative solutions.

Q Are investments primarily supporting operational improvements or new customer services?

A Both are priorities for our investments. We call our approach the Innovation Cycle. As we build technology to support operational improvements, that same technology helps us create new services and capabilities. For example, package flow technology, which was initially an operational innovation, helped us develop new solutions such as UPS My Choice® and UPS Access Point™ that give customers control over when and where their packages will be delivered — even when items are already in transit.

Q How is the growth of e-commerce shaping UPS's technology investments?

A In 2017, UPS delivered more than 762 million packages during our holiday peak season, materially above the previous year and over plan and market estimates. That reality inherently changes what kind of network we need to have and how efficiently we must run to remain competitive. It's challenging us to explore concepts that improve package density, by implementing tools and strategies to make deliveries and pickups more efficiently by consolidating shipments based on geographic proximity.

Sophisticated algorithms enable us to align packages, delivery commitments, and geographies in real time so we can optimize our network and routes. As a result, we can do more with the same amount of energy, which is better for our customers — and the environment.

Q What's next for innovation at UPS?

A We are just starting to see the opportunities that technology can provide. We are working on a next generation of the On-Road Integrated Optimization and Navigation (ORION) system, which will help us further improve efficiency and reduce miles by optimizing routes dynamically as drivers complete their work. This technology is able to make adjustments to delivery routes based on real-time information about traffic congestion, road conditions, or requests for new package pickups. We are expanding our mobile technology solutions and using artificial intelligence and advanced analytics to improve our network through the Network Planning Tools.

Today, technology can be a rapid game changer in how packages are delivered to challenging environments. Just look at what's already happening in Rwanda, where we've partnered with a drone operator and a global health organization to streamline the supply of vaccines and critical medications to remote and hard-to-reach areas. From increased mobile solutions for our customers and our own operations, to deploying machine learning, artificial intelligence, and virtual reality, UPS is applying technology-centric solutions to almost every aspect of our business.

Making the Smart Logistics Network a Reality

UPS's smart logistics network refers to our digitally and physically connected facilities, fleet, and information systems. Using real-time data, artificial intelligence, machine learning, and other technology, we will optimize tracking and processing of packages and freight, and synchronize our transportation fleet. The Smart Global Logistics Network enables us to drive operational and sustainable improvements for our business, and provide greater accuracy and speed for our customers from pickup to the final mile.



NETWORK OPTIMIZATION

Network Planning Tools (NPT)

NPT tells us the most efficient way to run our transportation routes and facilities, even when volumes spike and destinations change. By applying advanced analytics, artificial intelligence, and operations research, these tools optimize the flow of up to 60 million packages in our U.S. network each day. NPT is in development and will have a rolling release until it is fully deployed in 2020.



FACILITY OPTIMIZATION

Enhanced Dynamic Global Execution (EDGE)

EDGE uses real-time data to enhance real-time decision-making inside our facilities. These proprietary programs tell us where and how packages should be sorted and can locate operational assets instantly. EDGE is comprised of more than 20 separate projects that are being developed and tested now, with full deployment planned in phases through 2020.



ROUTE OPTIMIZATION

On-Road Integrated Optimization and Navigation (ORION)

Our groundbreaking route optimization software determines the most efficient delivery route each day. Deployed across the U.S. and being piloted in Canada, Germany, and the U.K., ORION is essential to reducing our carbon footprint by minimizing UPS's total miles driven.



DELIVERY OPTIMIZATION

Delivery Information Acquisition Device (DIAD)

Drivers use this handheld tool when delivering packages. Our next-generation DIAD will integrate artificial intelligence and other technology enhancements to enable drivers to make better decisions that help us meet our customers' unique needs and preferences.

Here's a look into the foundation of our Smart Logistics Network.

Trade Advocacy for a Connected World



Government policies can either facilitate or hinder the ability of our customers to connect with markets around the world. As governments wrestle with a growing volume of low-value imports — and the tax, competition, and security issues associated with those flows — UPS is sharing our deep expertise in trade facilitation with leaders at the country, regional, and global levels.

Our policy experts also serve as the voice of the customer when there are opportunities to advocate for agreements that facilitate more global trade.

UPS is actively engaged to ensure our trade policy reflects the way trade takes place today. The North American Free Trade Agreement (NAFTA) was first negotiated before the e-commerce era, and we are working to ensure a NAFTA 2.0 includes digital trade provisions and 21st-century border processes that efficiently and safely move the increased flow of goods.

Technology enables small and medium-sized businesses to access markets around the world like never before, yet they frequently face complex challenges with import and export procedures. New policies that better enable e-commerce will remove some of these obstacles.

We made progress toward this end in December 2017, when 70 World Trade Organization members, including the United States, began work to improve the cross-border e-commerce environment, building on work UPS has undertaken over the past year alongside platform companies, retailers, and other logistics providers. Meanwhile, the earlier WTO Trade Facilitation Agreement (TFA) continues to serve as a road map to improved customs practices for countries around the world. UPS commends the more than 120 countries and territories that have ratified the TFA, raising standards for customs processing and allowing exports to reach their destinations more quickly and efficiently. To support the ambitious implementation of this agreement, UPS will continue to work with public- and private-sector partners to help countries, particularly developing countries, meet TFA's key provisions.

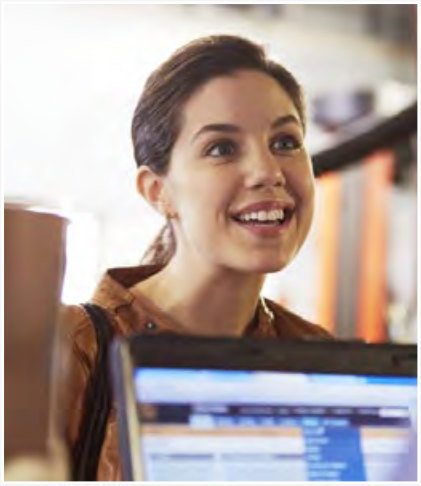
Promoting Inclusivity Through Trade

To support the sustainability of global trade, UPS recognizes the importance of engaging domestic stakeholders, small businesses, and all segments of society to support inclusive growth.

Though trade continued to grow in 2017, despite lower projections, there are some areas of opportunity to further grow trade and strengthen the positive trajectory. Consider that among women-owned businesses, only one in five participates in international trade. More inclusive approaches will build new sources of trade and new trade supporters. It is a question of economics as much as equality: when the benefits of growth are shared more broadly, that growth is stronger and more resilient.

In this spirit, we are developing a UPS Women Exporters Program, a global effort to help women business owners learn about and consider exporting by 2020. UPS will partner with SheTrades, which aims to connect 1 million women to markets by 2020 through partnerships with the private sector. As one example, through SheTrades Argentina, UPS will work with Argentina's Department of Economic Development to establish workshops to provide access to markets, knowledge, and technical proficiency to women entrepreneurs.

With expertise in trade, small businesses, e-commerce, and exporting, UPS is uniquely positioned to help close gender gaps in resources, information, and networks. We intend to take a partnership approach, working with governments and nongovernmental organizations, which will allow us to provide targeted information while expanding the resources, scope, and diversity of training. By collaborating with different entities in many regions, we will provide entrepreneurs with the basic skills and knowledge needed to enter international markets.



Engaging Latin American Businesses

UPS tailors its trade advocacy approach to the unique needs of different regions. In some parts of Latin America, for example, we have seen the creation of regulations that have the effect of slowing e-commerce growth rather than policies that would facilitate cross-border e-commerce. To help address customers' questions, UPS Public Affairs hosted a webinar for current and potential customers in Mexico. The webinar featured a guest speaker from the Mexican Ministry of Foreign Affairs and focused on TFA, e-commerce trends, imports, and exports. We conducted a second webinar in Colombia and will conduct additional webinars in 2018. In partnership with Latin American chambers of commerce, UPS also participates in export seminars and forums to educate small business owners on how to engage in international trade.



Sustainable Ideas From Suppliers

As our business grows, we are entering into more contractual relationships with third parties, such as outside service providers (OSPs). OSPs are an important part of our delivery fleet in Western Europe, four times larger than our owned fleet in the region. Every day, OSPs in this region:

- Operate 5,300 vehicles on the road
- Make 344,000 stops
- Deliver 519,000 packages

Given the size of this fleet, it is important to help minimize its environmental footprint, as well as our own. Through 13 separate initiatives, this OSP fleet is finding ways to reduce kilometers driven, fuel consumption, and costs for both parties.

In Brescia, Italy, for example, route optimization efforts have reduced the distance driven by OSPs by 4 percent. In other regions we are applying well-established UPS methods, such as adding shelves to delivery vehicles, which increases package capacity and enables a more efficient delivery process. UPS and OSPs are also replacing older vehicles with newer and more efficient ones, expanding bike delivery programs, and investing in electric vehicles to meet new access requirements in certain cities.





A New Asian Partnership

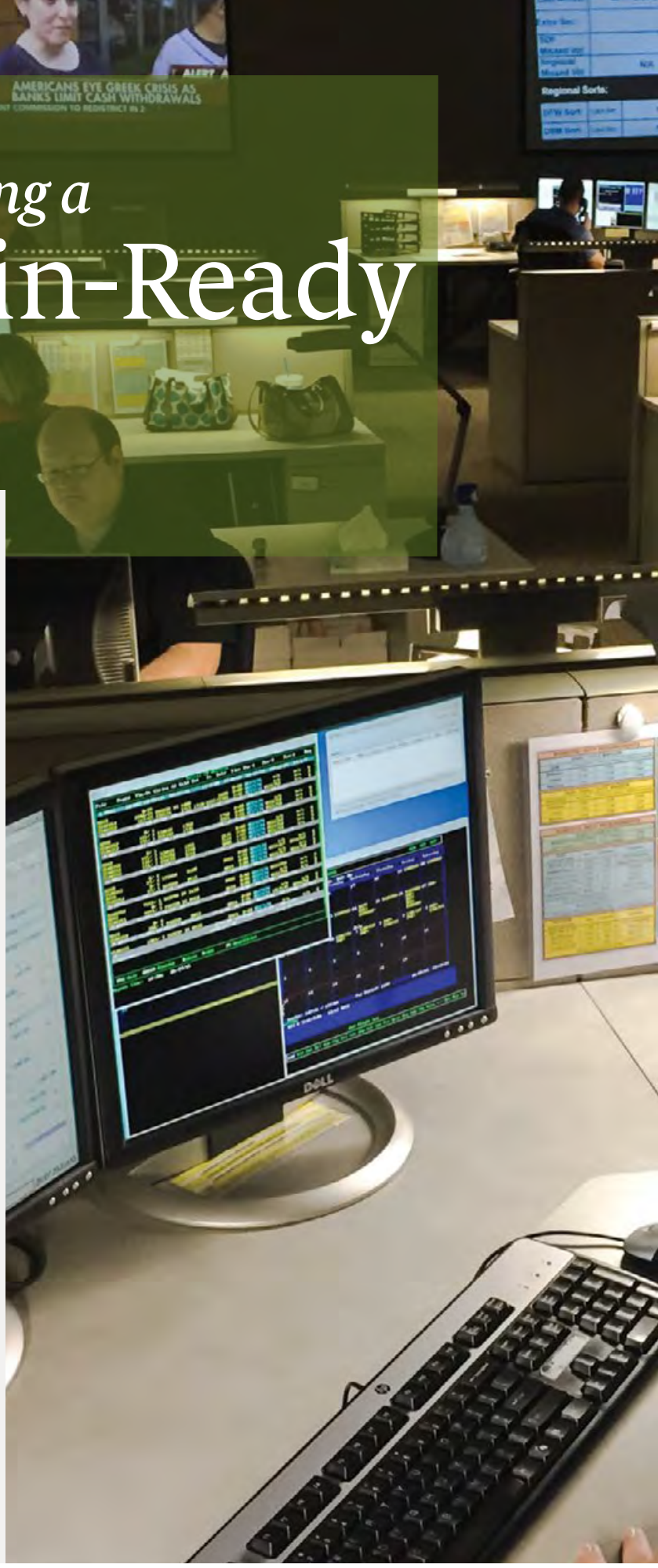
Partnerships will be a key element of the next chapter of trade. UPS is building nontraditional alliances, such as the one forged in 2017 with China's S.F. Express. Through this exciting joint venture, UPS and S.F. Express joined forces to provide unmatched service in the world's largest markets, including China. The two companies collaborate, develop, and provide international delivery services, leveraging our complementary networks, service portfolios, technologies, and logistics expertise. Through our Universal Growth Provider program, UPS has also established new partnerships in economies such as China, Indonesia, Japan, Korea, Malaysia, Philippines, Taiwan, Thailand, and Vietnam to create new opportunities for local businesses to support more efficient first- and last-mile deliveries.

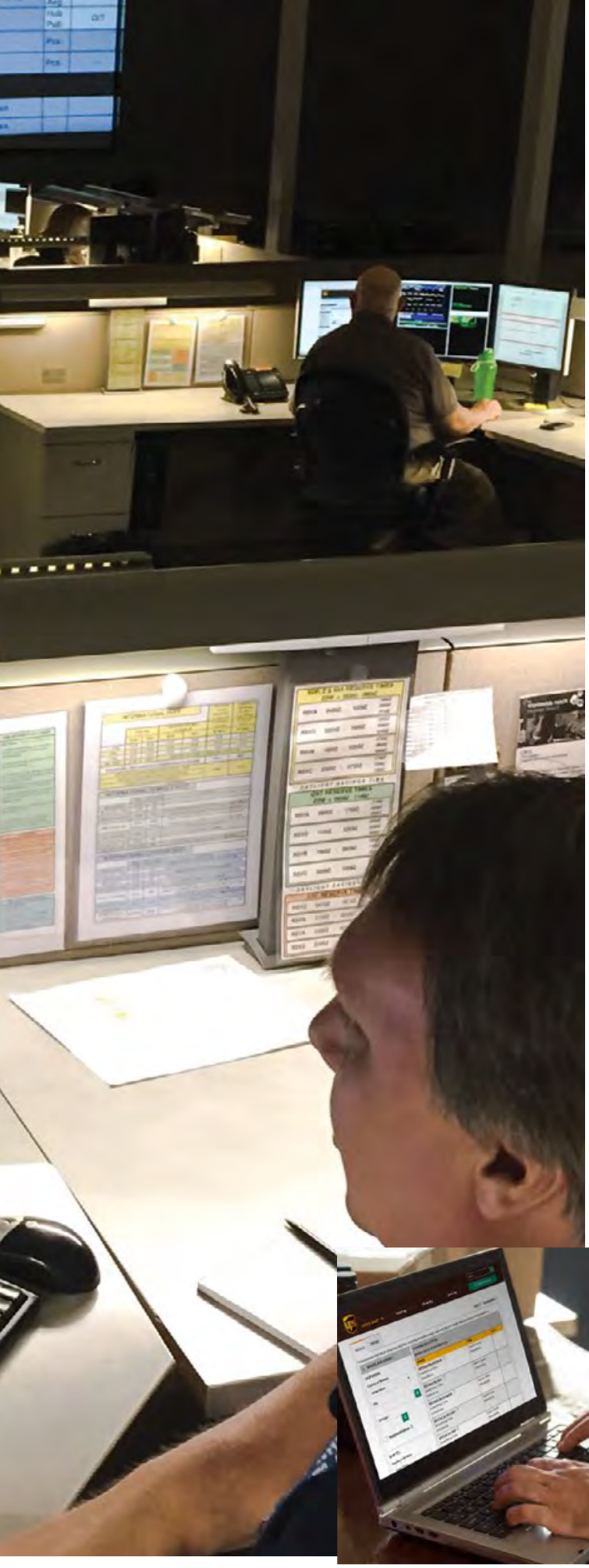
How We're Building a Blockchain-Ready Business

Controls designed to promote traceability can drive up processing time and cost. Blockchain technology can address these twin challenges. A blockchain is a secure, distributed digital ledger with records that resist duplication and forgery. It can be used to keep track of any information or assets, from transportation containers to digital currencies.

UPS is exploring blockchain applications in its customs brokerage business. As UPS is one of the world's largest customs brokers, a key objective of our strategy is to digitize transactions to cut down on waste and provide a more efficient, accurate process. Blockchain technology is a possible solution, and could improve transaction accuracy and visibility by replacing existing paper-heavy and manual procedures.

In 2017, UPS joined the Blockchain in Transport Alliance, a forum for the development of blockchain technology standards and education for the freight industry. As we build the smart logistics network of the future, we expect intercompany collaboration on blockchain standards to help usher in a new era of global trade and finance.





Protecting Global Data Privacy

Since our founding more than 110 years ago, UPS has viewed our reputation for protecting customer data as essential to our business success.

We address this top-level concern with appropriate governance structures and internal programs led by UPS's Chief Information Security Officer and Global Privacy Officer. Privacy and security protections are regularly evaluated and incorporated into the early stages of new product and service design.

As a global company, it is critical that we ensure compliance with international data privacy laws, which often differ from those in the United States. For example, the European Union's General Data Protection Regulation, which greatly increases the jurisdictional reach of European Union law and adds a broad array of requirements for handling personal data, including the public disclosure of significant data breaches, became effective in May 2018. Other countries have enacted or are enacting data localization laws that require data to stay within their borders. We consider these differences in building and managing our global compliance program for the regions in which we operate around the world.

As our privacy practices and policies continue to evolve, employee awareness is essential. Employees who are actively aware of privacy issues in their personal lives are more likely to be aware of privacy issues in the workplace. Training and ongoing engagement are the primary ways we build awareness. Our signature employee outreach effort is Global Privacy Awareness Week, with events, guest speakers, contests, and giveaways held across the globe. We regularly test UPSers' knowledge of data security risks and appropriate responses to threats. And we conduct regular data breach drills across the enterprise to ensure response readiness.

Powering the E-Commerce Boom, Sustainably

E-commerce and rapidly improving mobile technology enables 24/7 access, endless selection, and improved consumer convenience. Online purchases have grown 12 percent annually over the past three years and are expected to continue at a similar pace through 2018. According to the 2017 UPS Pulse of the Online Shopper™ survey — our sixth annual study conducted by comScore — almost half of smartphone users make online purchases using their smartphones.

This ability to make purchases online anytime and anywhere is revolutionizing the shopping experience for consumers and retailers alike, changing business models and supply chains around the world.

Delivery Solutions for the Future

The popularity of e-commerce has increased deliveries to residential addresses that are often miles apart. This leads to more miles, fuel, and emissions per delivery. To meet consumer and shipper needs with less environmental impact, UPS has invested in solutions to consolidate packages, which creates synthetic density and allows us to ship more sustainably. UPS My Choice® service allows consumers to choose a convenient time and place of delivery from their mobile device, and the UPS Access Point™ network provides a consolidated delivery location — such as a gas station or convenience store — for multiple consumers in the same area. These solutions reduce miles and emissions associated with multiple delivery attempts.

A More Efficient Returns Process

Returns were once an afterthought for many online retailers, but now have become an area of challenge and opportunity. In 2017, consumers returned more than $380 billion in goods, or 11.7 percent of all purchases in the U.S., according to a study published by the National Retail Federation. Frequent returns can be especially damaging to small retailers, who may be less able to invest in return shipping and may be unable to resell returned goods. UPS is addressing these issues through UPS Returns™ Manager, a tool that business customers can use to manage return shipments without integrating new technology into their own IT systems.

We've also made a strategic investment in Optoro, a reverse logistics technology company that works with retailers and brands to better manage, process, disposition, and sell returned and excess inventory. Existing return solutions are inefficient, generating 5 billion pounds of products and packaging that are wasted every year because they are not resold. Using comprehensive data analytics and multichannel online marketing, Optoro's software platform determines the best path for each item, including return-to-stock, return to vendor, reselling on secondary marketplaces, donating, or recycling. By routing the items at first touch, Optoro's technology helps retailers maximize the value of their returned inventory and reduce waste. UPS and Optoro are embarking on a joint venture that will combine UPS's logistics expertise with Optoro's smart-dispositioning capabilities, providing a one-stop shop for retailers and manufacturers who want to maximize recovery value and reduce environmental waste from returned merchandise.

With these new offerings, UPS is making the entire logistics life cycle more efficient. We believe that economic growth and environmental sustainability can go hand in hand. As e-commerce continues to dominate the shopping experience, we're committed to ongoing development of ways to help customers' businesses grow while minimizing their carbon footprint.

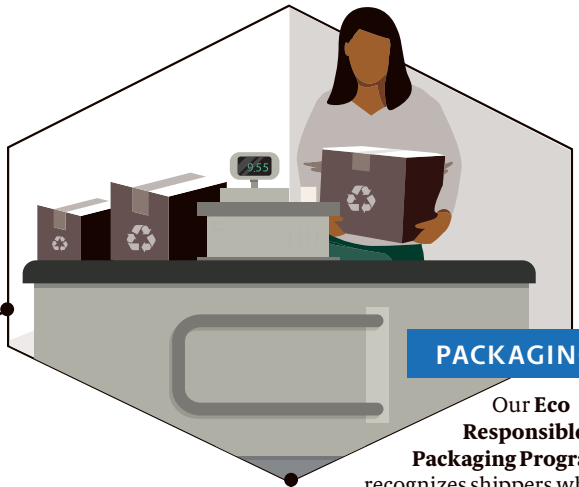


A Smart & Sustainable Shipping Journey

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

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





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.

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.





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

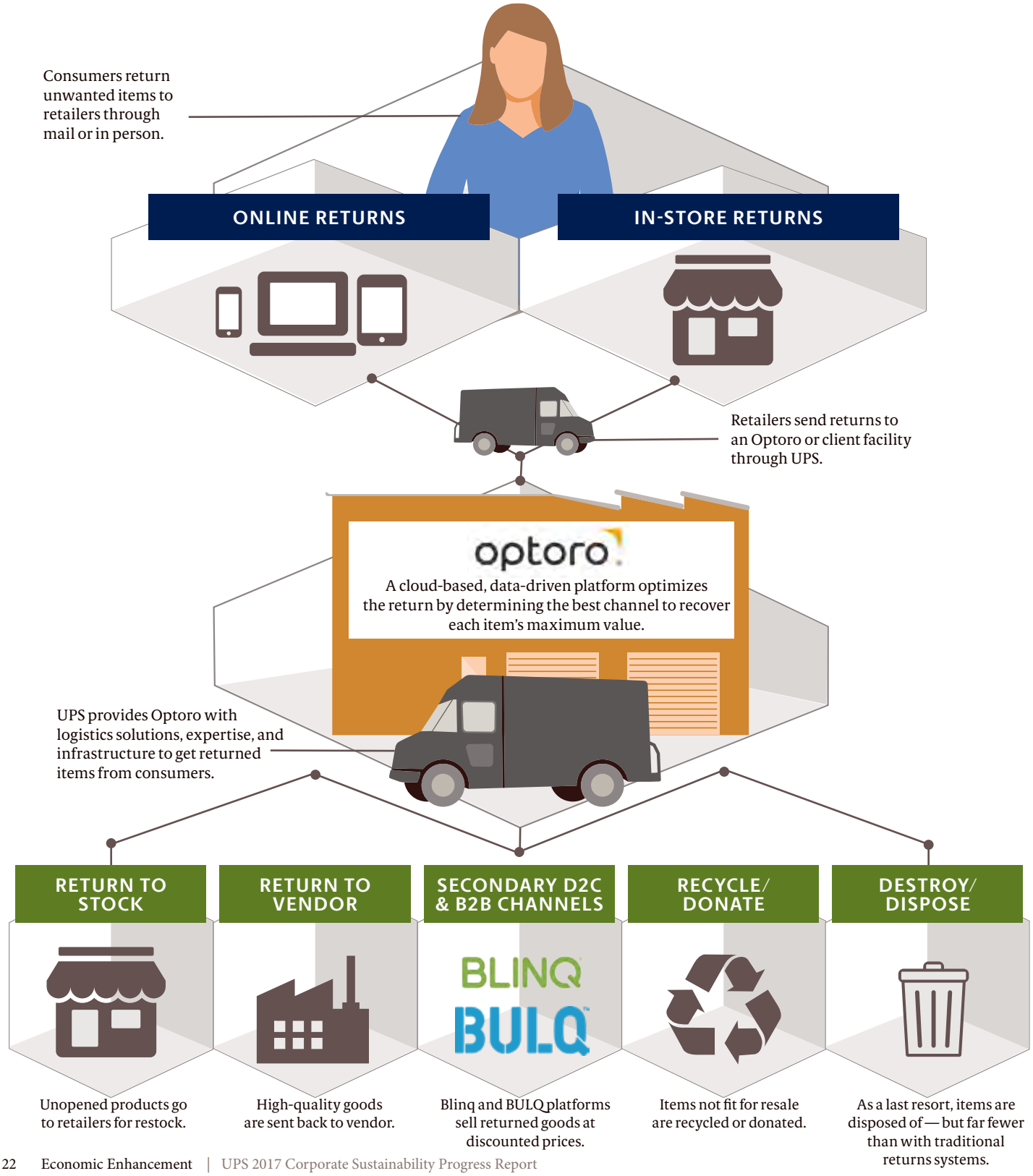


We simplify returns with turnkey packaging, preprinted labels, and more than 150,000 convenient drop-off and pickup locations. UPS's reverse logistics solutions also help customers reclaim and refurbish products to be used again.

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.

Moving Reverse Logistics Forward

E-commerce is not always a one-way street. As online purchases grow, so do returns. Our partnership with Optoro streamlines the returns process to maximize value of returned products, eliminate unnecessary shipping, and reduce waste. Here's how this strategic alliance is transforming retail reverse logistics.



STAKEHOLDER PERSPECTIVE

Christian Galichon

Director of Purchasing Coordination
Moët Hennessy Louis Vuitton SE



The issues of urban access, congestion, and pollution are not unique to cities and logistics companies. Retail luxury brands, such as UPS customer Moët Hennessy Louis Vuitton SE (LVMH), are also facing these challenges as their business models evolve in a world of e-commerce and growing urbanization. Christian Galichon, Director of Purchasing Coordination for LVMH Sourcing, shares how LVMH luxury brands are evolving to meet changing consumer demands.

How does the LVMH Initiatives For the Environment (LIFE) program help LVMH approach sustainability?

The LIFE program is an integral system of environmental performance for our brands that we view as imperative to our long-term business success. The program reflects nine sustainability principles with associated goals and targets around our products, emissions, sites (including production, office, and retail spaces), and supply chain. In addition to the LIFE program, we have separate targets and initiatives for social and human rights efforts.

How are global trends such as e-commerce and urbanization changing LVMH's business?

Increased e-commerce and restrictions on urban delivery are adding more constraints to how we deliver products to our customers in exceptional and sustainable ways that reinforce the LVMH experience. The purchasing experience is shifting from in-store with a suite of options and personalized touches, to the more "on demand" world of e-commerce. We need to shift as well to continue delivering the experience our customers expect, and we need responsible — and responsive — supply chain partners to help us along the way.

Why is the final mile of delivery important for LVMH brands?

A key initiative for the LIFE program is our supply chain, so we are very involved with how our logistics partners interact with our brands. The final mile is critical to meet consumer demands, sustainability goals, and to maintain the luxury experience. To accomplish this, we work with UPS to coordinate deliveries, where possible, to be made using its fleet of zero-emissions vehicles.

What does LVMH see as solutions for creating more sustainable e-commerce and city logistics?

Sustainable solutions will require even more collaboration to meet the evolving demands of our customers while also maintaining our relentless pursuit of excellence. Our customers feel a personal connection to us, so our supply chain partners are a natural extension of our brand. We value UPS's efforts to implement innovation in city logistics solutions and look forward to working with them on new programs such as consolidated deliveries to our retail locations and sustainable personalized packaging.

Empowered People

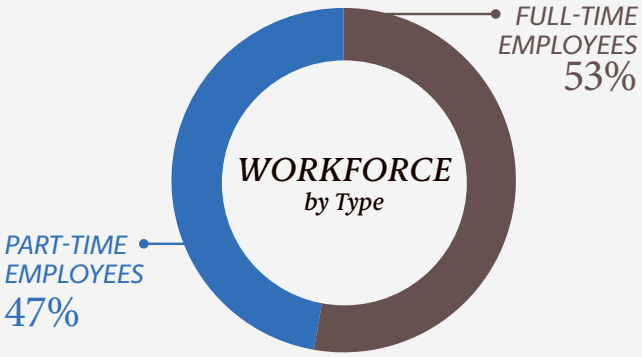




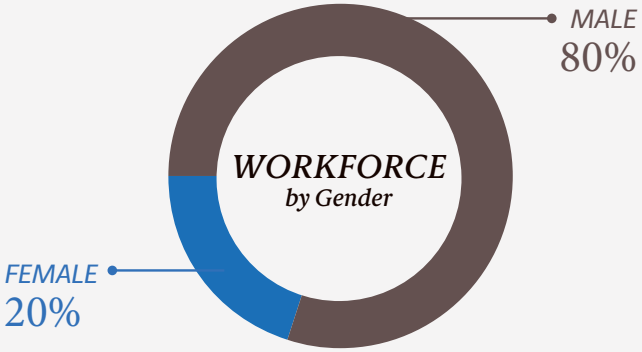
Workforce At-A-Glance

Total
WORKFORCE
454,000

Temporary Seasonal
EMPLOYEES
95,000







Enhancing the UPS Experience

We face new business challenges and opportunities every day, such as our company's growing diversity and global reach; the dynamic nature of the multiple markets we serve; technological advances that require new skill sets; employee desire for a wide range of experiences and growth opportunities; and the significant percentage of our workforce that is part-time or seasonal. These realities are shaping our approach to talent acquisition, retention, and development.

UPS's Human Capital Strategy helps us take the necessary steps to meet these new demands. The strategy features three initiatives that focus on high-value business priorities: Global Leadership & Talent, Global Total Rewards, and Employee Engagement.

Global Leadership & Talent defines how we will acquire and maintain the desired talent, leadership, culture, and environment to fulfill our business strategy. Given our maturing workforce, we have identified strategic positions across UPS to focus succession planning efforts. With those positions in mind, we work diligently to ensure that we have the right future leaders to fulfill critical talent needs. These efforts include identifying competency gaps in potential candidates that allow us to accelerate their development; placing greater emphasis on exposure and experiences to help advance employee growth; and redefining high-potential employees with new criteria and an assessment tool to help us better identify future leaders.

Global Total Rewards focuses on better aligning our overall compensation components — pay, incentives, healthcare, relocation, retirement, and more — to drive employee engagement and support business outcomes. We monitor our business performance and personal financial rewards to ensure they align with our business needs as talent markets change.

Delivering a compelling Employee Value Proposition (EVP) is integral to our Employee Engagement initiatives. A strong EVP helps us attract, retain, and engage our people so that they can execute our business strategy. We are enhancing our EVP across the entire employee experience, from the first contact with a prospective hire, to growth opportunities during their UPS career, to when they become a UPS alumnus. Our research concludes that employees are drawn to UPS's team-oriented culture and global presence. We are focusing on these qualities throughout the hiring process as we encourage new recruits to see their "Future You" at UPS. Though many may start working at UPS in a seasonal position, we share the numerous career paths available with them. This continues

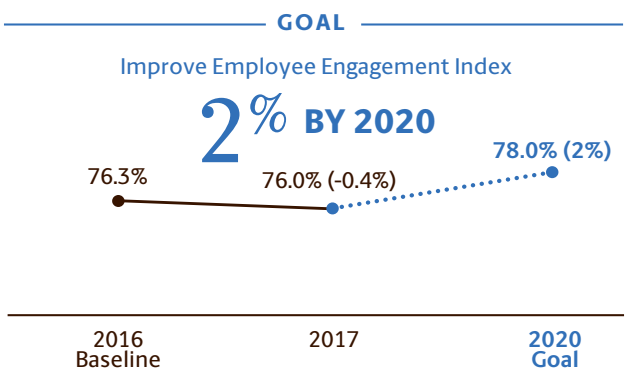


our tradition of building an internal pipeline of hourly workers who advance into management positions.

In 2017, we separated our workforce hiring functions for operations and nonoperations employees. This decision allowed us to better serve the needs of these two distinct candidate pools. We also have increased our emphasis on people's growth, helping UPSers improve their capabilities and close skill gaps in their individual development plans. My Talent Center, our new technology platform used for an integrated view of talent, is also allowing us to identify high-potential individuals across the company early in their careers, so we can start developing them sooner into tomorrow's leaders.

The trends shaping our industry are challenging us to think differently. With these and other initiatives, we are building a UPS workforce that better reflects these market trends and is well-equipped to serve the changing needs of our customers around the world.

Employee Engagement Index



Measurement in employee practices through feedback, research data, and our employee experience initiative.



Working With Our Labor Union Partners

UPS is the largest employer of members of the International Brotherhood of Teamsters (IBT), with more than 280,000 Teamster employees. In the early 1920s, UPS founder Jim Casey recognized the IBT and invited the union to represent UPS employees. Recognizing the importance of this relationship, UPS and the IBT have successfully worked together for more than 90 years. We expect to continue to negotiate in good faith as we have in the past, and to continue to collaborate in addressing the needs of our customers and our business.

Advanced Technologies That Keep Us Safe

UPS drivers travel millions of miles every day, and our goal is for all of our drivers to make it home safely. That's why UPS works hard to remain an industry leader in safety, ensuring our drivers are fully trained and prepared every time they get behind the wheel.

Today, technology investments are making the safety and efficiency of our drivers even more effective, helping us create a work environment that better protects our employees and adapts to a changing business environment.

The UPS Integrad™ training centers, among our most innovative training experiences, provide drivers with experiential training modeled on the philosophy of "teach me, show me, let me." The program uses a mixture of 3-D computer simulations, webcast learning modules, and traditional classroom instruction to complement hands-on safety, delivery, and customer service training in a controlled environment. UPS Integrad curriculum has raised the bar on training, delivering significant improvements in safety, customer experience, and retention compared to traditional programs.

In 2017, we took our innovation to the next level by incorporating virtual reality (VR) into the UPS Integrad experience. At nine facilities across the U.S., VR is allowing participants to practice defensive driving techniques by moving their eyes through the driving scene to recognize priority elements and to spot hazards they may encounter as they drive. Wearing VR headsets with 360-degree visuals, trainees must verbally identify road hazards. The headsets are an upgrade from touchscreen devices used in the past. While VR is currently being used only for training package car drivers, we're exploring virtual and augmented reality tools for performing other duties throughout our operations.

It's not just our drivers who are becoming more knowledgeable; our vehicles are becoming smarter — and safer — too. In 2017, we upgraded more than 5,700 of our existing Class 8 tractors with advanced collision mitigation technology, which alerts drivers to moving and stationary objects in front of the tractor and moving objects surrounding the vehicle. The technology includes alerts for blind spots and lane departures, electronic stability control, and forward collision warning with automatic brake application. This investment brings more than 60 percent of our Class 8 tractor fleet, or 11,000 vehicles, to the leading edge of safety technology.

Gaining Insight Into Safety Trends

We are also applying technology to engrain safety at the enterprise level. For example, the International Incident





Reporting Tool is a web-based reporting tool for a variety of incidents which replaces manual processes. The tool provides greater visibility into daily global trends, makes it easier for UPS to perform data analysis and identify risks, and increases our data security and privacy regulatory compliance. The tool has been fully implemented in the Americas and European regions.

> *"Driving conditions can change quickly. Collision mitigation technology is like an extra set of eyes that helps you make decisions more quickly, especially when you're driving in rain or fog."*
>
> *Dale Brenaman, UPS driver and finalist in the 2017 National Truck Driving Championship*

The Compliance Safety and Accountability (CSA) web portal, likewise, allows us to effectively manage safety and regulatory compliance across the domestic fleet. The Federal Motor Carrier Safety Administration (FMCSA) is the lead U.S. federal government agency responsible for regulating and providing safety oversight of commercial vehicles, and the CSA portal provides a daily online feed of FMCSA violations from the organization's database. It also tracks FMCSA scores for each business unit to ensure they are well below agency limits and allows UPS to track at-risk drivers and operations. The online portal replaces manual record downloads and time-consuming research processes, making it easier for us to stay safe and compliant. Use of the CSA portal began with a beta test in 2017 and will expand to all UPS Freight operations in 2018.

Creating an injury-free workplace requires the right training, technology, and data, all working in tandem to reduce the likelihood of injuries and crashes. By using the best available technology to reduce risk at every step, we're helping more people get home safely to their families.

A Proud UPS Integrad™ Graduate

Our drivers are among the best in the industry, with UPSers receiving eight of the 11 possible Safe Driver of the Year awards from the National Safety Council in 2017. Drivers sharpen their skills at UPS Integrad training centers, which provide drivers and their direct supervisors with experiential, hands-on preparation that reinforces and builds on classroom lessons. Robert DeJesus began his UPS career as a driver helper in 2016, then joined as a full-time driver in 2017. He credits what he learned at UPS Integrad with his success. The program helped Robert improve performance metrics and empowered him to take a leadership role in the Comprehensive Health and Safety Process Committee at his center. "I'm so proud to put on my uniform every day," Robert says. "It reminds me about the importance of making safe and smart decisions at every turn."

STAKEHOLDER PERSPECTIVE

Fred Andersky

Director of Customer Solutions

Bendix



As part of our continuous focus on employee health, safety, and wellness, UPS explores and tests new technologies that can augment our comprehensive safety training. In 2017, we continued our work with Bendix Commercial Vehicle Systems to upgrade more than 5,700 of our freight vehicles with advanced collision mitigation technology. Fred Andersky, Bendix's Director of Customer Solutions, explains how they are helping UPS build on our industry-leading safety performance.

How has Bendix led the evolution of advanced safety systems such as collision mitigation technology?

Collision mitigation technology has come a long way from antilock brake systems in the 1990s, which added sensors and an electronic control unit to vehicles. Bendix built upon that, adding full-stability control, which became the foundation for today's collision mitigation technology. We introduced additional sensors and integrated with the braking system and other functions, which provides the driver improved levels of performance assistance.

Collision mitigation is often a feature expected in newer vehicles. In addition to driver safety, what benefits are created by upgrading existing vehicles?

Technology in the trucking industry has evolved faster over the last 20 years than in the previous 80. By upgrading technologies, the UPS fleet gains value by having the same level of performance across their vehicle set, streamlines system maintenance, and reduces expenses in addition to helping save lives.

How does collision mitigation enhance driver safety in ways that automation can't?

It's important to remember that driver assistance technologies complement safe driving practices. No commercial vehicle safety technology replaces a skilled, alert driver using proactive safety techniques. Combined with comprehensive training, technology can help make the road safer for everyone.

How do advanced safety technologies create other benefits, beyond driver safety?

Collision mitigation technologies use adaptive cruise control, which helps drivers maintain a safe following distance behind another vehicle. Adoption of this cruise control can result in fuel economy improvements up to 15 percent. Across a fleet as large as UPS's, that small improvement can generate significant savings in fuel and emissions.

Championing UPS's Safest Drivers

Our industry leadership in safety performance reflects the excellence of thousands of drivers around the world. A few of them, however, boast truly exceptional records. Michigan-based driver Tom Camp, for example, holds the record with 55 years behind the wheel of a UPS package car without an accident. In that time, Camp has driven more than a million miles — the equivalent of 40 trips around the equator. In honor of Camp's achievement, UPS gave a $25,000 grant to the University of Michigan's Transportation Research Institute to continue their exemplary work on road safety issues.

The Circle of Honor is the ultimate achievement that recognizes UPS drivers for safety excellence of 25 years or more without a preventable crash. Earning the right to wear the distinctive Circle of Honor patch is a source of unwavering pride among UPS drivers. Collectively, the 10,504 drivers have logged 14 billion miles and achieved 257,221 years of safe driving throughout their careers. That's enough miles to circle the earth at the equator 562,000 times, or make 200 round-trips to Mars. As we topped more than 10,000 drivers for the first time, we welcomed our first drivers in the U.K. and the Netherlands. Of all Circle of Honor members, 739 have been accident-free for 35 or more years, with 126 of those having driven more than 40 years without an accident. Thirteen drivers have eclipsed the 45-year safe driving mark. This year, 38 new inductees are women and 50 have joined the ranks of those with more than 30 years of safe driving. A total of 234 women are in the Circle of Honor.

UPS drivers are also being recognized by external industry organizations. The National Safety Council presents the Joseph M. Kaplan Safe Driver of the Year award for each of its 11 regions throughout the U.S. and Canada to recognize drivers who have driven a significant number of years or miles without a preventable accident. In 2017, eight out of the 11 awards went to UPS drivers, selected from 124 UPS nominations. In addition, 26 UPS drivers competed at the 2017 National Truck Driving Championship, where three placed third in the step van, straight truck, and flatbed driving categories.

Striving for Zero Fatalities

Our goal is zero workplace fatalities. We deeply regret that 15 UPS employees lost their lives while at work in 2017. Seven incidents involved violence, four involved auto accidents, three involved accidents in facilities, and one involved a pedestrian struck by a vehicle.

On an ongoing basis, we conduct fitness-for-duty evaluations when needed, afford mental health resources through an Employee Assistance Program, and provide annual training on workplace violence. Following the violent incident that took place at our San Francisco facility in June 2017, claiming the lives of four UPSers, we increased employee training and resources on situational awareness and response to an active shooter situation in the workplace.

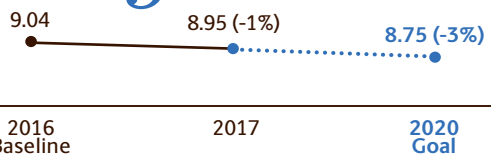
Auto Accident Frequency*

Global Operations

GOAL

Improve Auto Accident Frequency

3% BY 2020



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

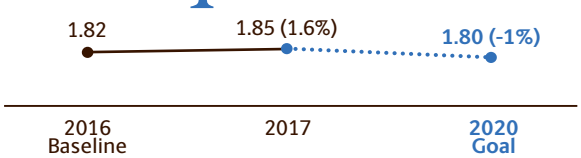
Lost Time Injury Frequency*

Global Operations

GOAL

Improve Lost-Time Injury Frequency

1% BY 2020



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

** Includes data from UPS subsidiaries Coyote Logistics and Marken.*



A New Recruiting Approach for a New Era

As our business continues to expand, UPS's hiring of part-time, hourly workers has more than tripled over the past eight years. E-commerce is increasing demand for our delivery services, especially during the holiday shopping season.



An additional 95,000 seasonal workers were hired to support our operations during the holidays in 2017.

For much of our history, UPS has maintained a trend of approximately half of our part-time workers ultimately joining the company full-time. In the past five years, however, we have seen an increased rate of turnover and a decrease in student hires as the economy has improved and unemployment has decreased nationwide.

For these reasons, we have enhanced our recruiting tactics to attract a new generation of employees. Beyond offering more competitive wages, we are reinventing our recruiting processes to be powered by technology, such as mobile messaging and virtual career fairs, in order to connect with potential employees in ways that are most accessible and meaningful for them. For example, we relaunched our Jobs for Friends and Family campaign, through which current UPSers can refer others for open positions. This renewed campaign increased referrals, with more than 7,400 referrals in 2017 alone.

We also are staying in touch with job candidates via text message through the TextRecruit application. TextRecruit uses an artificial intelligence–enabled chatbot to share information with job seekers. UPS sends thousands of messages per week using this platform, and monthly reports tell us how many people clicked on links in messages and how we may follow up by text or phone call.

U.S. veterans are an ongoing focus of our recruitment efforts. As part of the White House's Joining Forces program, UPS committed in 2013 to hiring 50,000 veterans by the end of 2018 and supporting veterans and Veteran Service Organizations with 50,000 employee volunteer hours. We achieved this goal during 2016, and continue to support veteran hires through our UPS Veteran Career Gateway website, the UPS Military Transition app, and the efforts of our Veteran Business Resource Group.

Smart Technology for a Safer Workforce

From investments in technology to improvements in employee communication, UPS strives to make our workforce safer.

Virtual Reality (VR)

Headsets with 360-degree visuals allow trainees to experience operating a package car and learn how to spot potential hazards while driving.



Collision Mitigation Technology

More than 60 percent of our semitractor-trailer vehicles are equipped with advanced sensor and control technology to help drivers avoid crashes.





Tiny Town

Visual learning methods are used to anticipate and strategize around potential hazards on the road.



Telematics

Telematics data gathered in our U.S. Domestic Small Package Operations allows us to promote and coach safe driving behaviors.

TECHNOLOGY

TRACKING TOOLS

COMMUNICATION

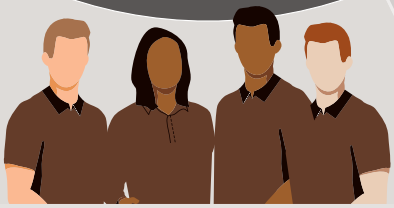
EDUCATION

UPS leads the industry in safety practices, with nearly half the injury rates of our peers.



UPS Integrad™

This experiential program provides hands-on safety, delivery, and customer service training in a simulated, real-world environment.



Pre-Work Communication Meetings (PCMs)

Supervisors communicate safety-related information to their teams before the first deliveries of the day. Drivers receive additional safety training and communications on the go through their Delivery Information Acquisition Device (DIAD).



Risk Management Reporting Tools

Instant tracking of injuries, crash information, and near misses provides real-time data analysis to identify risks.

Making Safety Training Meaningful

Workplace safety doesn't happen in a vacuum; it is the result of appropriate risk and process control over every activity our employees engage in. An example of this approach can be found in how we are evolving training for our package car drivers to be a more holistic and experiential process.

This begins at the start of the day with a new dynamic warm-up program in which employees complete a series of stretches to improve flexibility. Then, trainees are given realistic on-the-job tasks and receive contextual feedback from supervisors throughout the process, rather than working through a checklist. Finally, a new coaching and observation program allows supervisors to record and track comments for employees between their annual evaluations, providing individuals with regular reinforcement and the company with a way to measure improvements and trends.

In 2017, we launched two new safety training programs on space and visibility defensive driving: Feeder Driver Safety Trainer (FDST) for UPS Freight trainers and Supervisor Driver Safety Training (SDST) for On Road Supervisors. Both programs focus on expanding the UPS Integrad™ experience by providing the trainers with resources to take back to their facilities. The SDST program is designed to empower UPS Integrad graduates to share best practices of defensive driving with new tools and training. After testing in 2017, we expect to be fully deployed across the U.S. and expand to global operations in 2018. Our FDST course is a 4.5-day intensive workshop developed for UPS trainers to expand on defensive driving. Facilities with FDST trainers realized a 5.7 percent improvement in the number of crashes per month, and drivers who received safety rides with an FDST had 12 percent fewer crashes. In 2017, we trained 83 trainers in seven classes, and plan another 10 classes for 2018.





Leading Global Safety

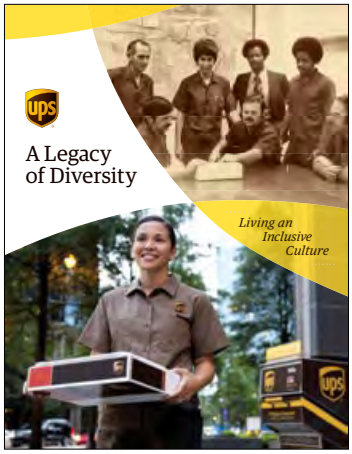
Operating more than 119,000 vehicles and 2,500 facilities around the world every day, UPS's commitment to the health and safety of our 454,000 employees is unmatched. Leading these efforts is Alexi Carli, Vice President of Global Health and Safety (above, right), who has been with the company more than 39 years. With Alexi's leadership, UPS's industry-leading safety metrics have improved dramatically, with work-related injuries and auto accidents decreasing 84 percent and 59 percent, respectively. Alexi is an advocate for more female representation in the traditionally male-dominated logistics industry with women comprising 45 percent of current health and safety professionals at UPS.

In 2017, Alexi received the Marion Martin Award from the National Safety Council's Women's Caucus for her leadership, mentorship, and commitment to safety. She was also honored with the Distinguished Service Award from the American Society of Safety Engineers Foundation for her contributions and for supporting the development of future safety professionals. "These awards recognize Alexi's integral role and leadership in building a culture of safety at UPS, demonstrated by the notable improvements in global health and safety performance across the company," said Teri McClure, UPS Senior Vice President of Human Resources and Labor Relations.



Diversity & Inclusion Starts at the Top

As a global company, UPS's values are rooted in the diversity and inclusion that thrives inside and outside our walls. By leveraging diverse perspectives and creating inclusive environments, we have the opportunity to improve organizational effectiveness, cultivate innovation, and drive growth.



In conjunction with UPS's 110th anniversary, celebrated in 2017, we published "A Legacy of Diversity: Living an Inclusive Culture," which focuses on our proud history, illustrating how UPS's focus on diversity is a part of who we've always been and will continue to be.

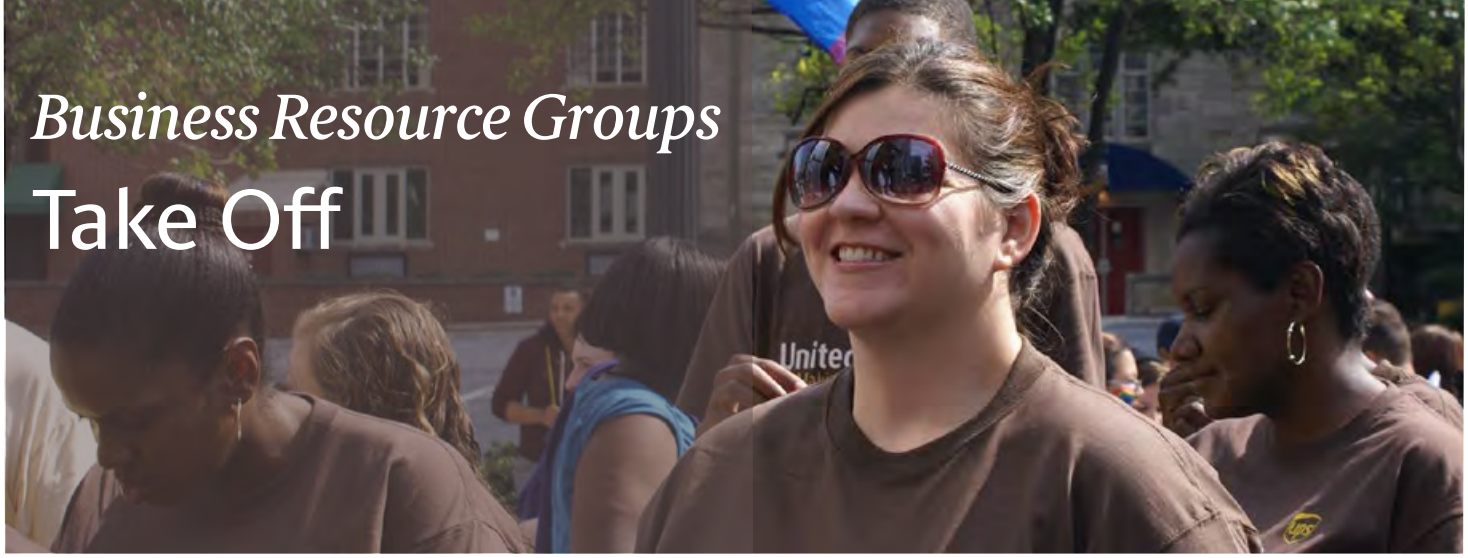
Diversity and inclusion also enables us to adapt and excel in an ever-evolving global marketplace. To underscore the importance of this topic, our senior leadership advocates for greater diversity both within our company and in areas where we have influence around the world.

As an example, UPS CEO David Abney signed the CEO Action for Diversity & Inclusion pledge, an initiative supported by more than 400 business, nonprofit, and academic leaders that recognizes diversity as critical to improved corporate performance. By signing the pledge, UPS commits to a specific set of actions, including creating a safe workplace environment for dialogue, mitigating bias, and sharing best practices with other signatories. In addition, diversity and inclusion was named as one of five company priorities for the year at our annual Management Conference, and we continue to complete unconscious bias training with UPS's senior leaders.

Furthermore, at the 2017 Catalyst Conference, "Catalyst CEO Champions for Change" was launched. UPS is a proud founding partner of this initiative, which brings together CEOs and senior leaders who are supporting and driving diversity and inclusion efforts within their own organizations. David Abney was among 50 prominent CEOs and top industry leaders who committed to advancing this movement.

David Abney also joined Eduardo Martinez, chief diversity and inclusion officer for UPS and president of The UPS Foundation, along with members of our Business Resource Groups (BRGs) for a virtual town hall session. These leaders shared UPS's latest diversity commitments and answered tough questions from employees on topics such as engaging more men in BRGs, promoting inclusion of LGBT employees outside the United States, and sharing our accomplishments with customers and suppliers.

"Social issues are business issues," said Abney during the BRG town hall. "We can't stand on the sidelines and not get involved." Through these and other efforts, UPS is creating a culture of inclusion from the inside out.



Business Resource Groups Take Off

As one of the world's largest employers, UPS employs people from all cultures, backgrounds, lifestyles, and experiences.

In such a large company, it's natural for employees to want to connect, network, and learn from others with whom they have much in common, outside of normal work teams. An important way they can do this is through employee hubs known as Business Resource Groups (BRGs).



"Two weeks after moving to London, I went on my first driver day to learn from a UPS package car driver. During our ride, the driver began asking about my family, and I was unsure if I should come out as gay. That uncertainty was why I wanted to establish a BRG for LGBT employees in Europe. I want others to feel like they can be authentic and bring their whole selves to work."

Will Fox, Employee Communications Supervisor, UPS U.K.

The BRG program started as a pilot in 19 UPS locations in 2006 with Women's Leadership Development (WLD) and has grown exponentially into 176 chapters worldwide across 10 total BRG categories: African American, Asian, Hispanic/Latino, Focus on Abilities, LGBT & Allies, Millennials, Multicultural, Veterans, WLD, and Working Parents. Each BRG is supported with advisors and sponsors from senior management who help them grow and support the business in unique ways.

London-based UPSer Will Fox helped Netherlands-based UPSer Jen J. Mohamed kickstart the new LGBT & Allies BRG in Europe within weeks of starting his job in employee communications at UPS. After publishing a blog post about the International Day Against Homophobia and Transphobia, he heard from UPS employees across Europe interested in being part of the new BRG. The group formally launched with an event attended by representatives from Workplace Pride and the European Region of the International Lesbian, Gay, Bisexual, Trans, and Intersex Association. This BRG is achieving great strides, including planned leadership in the London Pride Parade in July 2018.

One of our leading BRGs is the Hispanic/Latino BRG, which was named the top Employee Resource Group in 2017 by the U.S. Hispanic Chamber of Commerce for its contributions to developing people, growing the business, highlighting Latino culture, and supporting communities. In addition, UPS's Hispanic/Latino BRG was also named the Employee Resource Group of the Year by LATINA *Style* magazine, based on business impact, corporate leadership, mentorship, and dedication to communities.

BRGs not only provide a way for employees to connect; they are also creating significant business value. For example, members of the New York–based WLD BRG dressed in UPS's brown uniforms and spent the day on the road with package car drivers to help drive business growth. They educated potential customers about diversity and innovation at UPS — and generated 300 sales leads in the process.

Environmental Responsibility





At-A-Glance

ALTERNATIVE FUEL AND ADVANCED TECHNOLOGY VEHICLES IN FLEET

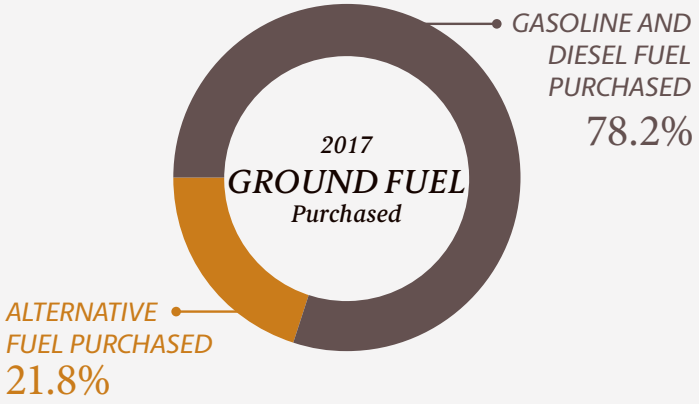
~9,100

2017 ALTERNATIVE VEHICLE PURCHASES

1,190

ALTERNATIVE VEHICLES AND FUELING STATION INVESTMENTS SINCE 2009

$750M



Managing Our Network's Footprint

At UPS, we address major issues by combining global strategies with everyday actions that collectively add up to make a big difference. We recognize the environmental challenges facing society and are committed to working throughout our value chain to help solve them.

Our commitment extends to engaging and leading others toward greater awareness and actions. To do so, we focus on the environmental issues most material to UPS and our stakeholders: energy, emissions, and fuel supply.

We help the world grow more prosperous by providing transportation and logistics solutions that facilitate trade. This role requires the use of substantial amounts of energy, primarily in the form of fuel for our vehicles and planes so that we can meet our customers' logistics needs efficiently and effectively. We also need energy for our distribution facilities, warehouses, and data centers. Today, the vast majority of the energy we consume comes from fossil fuels, which generate greenhouse gas (GHG) emissions. Like many other organizations around the world, we acknowledge that GHG emissions affect the climate and pose a serious challenge to the environment and, ultimately, the global economy.



This is why UPS is working toward a set of environmental goals that address the GHG emissions of our facilities and ground fleet. We are measuring the progress of our global ground operations in absolute terms, seeking a 12 percent reduction in emissions by 2025. In our industry, the use of renewable energy is critical to reducing absolute emissions. As a result, we have also established three targets to spur the use of renewable energy sources throughout our operations. By 2025, we plan to source 40 percent of all ground fuel from sources other than conventional gasoline and diesel, nearly double what we used in 2016. We're also aiming for 25 percent of total electricity to come from renewable sources by 2025. And, by 2020, 25 percent of our annual vehicle purchases will be alternative fuel or advanced technology vehicles.

Our journey toward a less carbon-intensive future is largely enabled through one of the industry's largest

private alternative fuel and advanced technology fleets, a "rolling laboratory" of approximately 9,100 vehicles from which we're always learning and adapting. We practice fuel-reduction strategies across our entire fleet of 119,000 ground vehicles, including technology-powered route planning to reduce fuel and emissions, and diligent maintenance to help vehicles run efficiently. Our emission-reduction efforts extend to the air, where purchases of more fuel-efficient aircraft, on-board weight reductions, and fuel-saving flight practices have helped reduce the GHG emissions of UPS Airlines.

When we reduce the distance traveled to meet our customers' requirements, we decrease energy consumption and increase efficiency. Shifting between delivery modes allows us to choose the transportation methods that provide the best balance between energy intensity and delivery commitments. By investing in alternative fuels used to power our vehicles, we are addressing the challenges of pollution and congestion and lowering UPS's environmental footprint.





From Sales to Saving the Planet

Members of the UPS Sustainability Ambassador program are making a difference for the environment and their communities around the world. UPS Sales Training Coach Michael Lelivelt also serves as a Sustainability Ambassador, using his coaching skills to motivate and coordinate the efforts of other UPSers. He has led efforts to expand recycling programs, and hosted Earth Week events to engage others in sustainable business practices. "Even modest efforts can create big results," Michael says. "If everyone does just a little bit, we can have a huge impact."

More Data, Fewer Miles:

How UPS Is Building the Smart Logistics Network

The rise of e-commerce and expanding global prosperity are increasing demand for our logistics and delivery services. The challenge is to meet this need and grow our business without significantly growing our carbon footprint.

Advanced technologies — some deployed today and others on the near horizon — are critical to turning this challenge into an opportunity to take our global network to new levels of sustained efficiency.

The Smart Logistics Network

Our new Network Planning Tool (NPT) applies advanced analytics, artificial intelligence, and operations research to refine the network, improve utilization of assets, and provide new levels of efficiency. This technology helps us optimize the package flow, from customers' loading docks, through our network of hubs and sorts, and to their final destinations. Package flow optimization and hub optimization are rolled into one tool that tells us the most efficient way to run our network each day, even when volumes spike and destinations change. NPT will be fully implemented in U.S. operations by 2020.

A key area of improvement that these types of tools identify is the possibility of delivering more packages per stop. The growth of e-commerce and the corresponding increase in residential deliveries have decreased the average number of packages we drop off for every mile we drive. UPS is exploring ways to increase "synthetic package density" across the network. Using enhanced data analytics, we are able to identify packages destined for the same address or surrounding areas, allowing drivers to make one trip instead of two. These initiatives, combined with advance delivery notifications using UPS My Choice® and Follow My Delivery, and package consolidation at UPS Access Point™ locations, provide more convenience for customers and help reduce our environmental impact.





Intelligent Route Planning

An important part of reducing our footprint is optimizing delivery routes, as the most sustainable mile is the one we never drive. On-Road Integrated Optimization and Navigation (ORION), our groundbreaking route-optimization software, provides a smarter way to determine the best route for a single delivery vehicle. Arguably the world's largest operations research project, ORION uses package-level detail, customized online map data, fleet telematics, and advanced algorithms to determine the most efficient delivery route each day. We have learned that successful implementation requires a combination of ORION technology and our drivers' using their best judgment and knowledge of optimal route solutions.

In 2016, we completed deployment of ORION to 100 percent of U.S. routes targeted for implementation. We're pleased to have realized greater efficiencies than originally expected in 2017 during the first full year of use. We achieved the planned annual reductions of 100 million fewer miles and 100,000 metric tonnes in CO_2 emissions, and realized an additional $10 million reduction in operating expenses over the expected $400 million savings.

Internationally, we are piloting current ORION technology in Germany, the United Kingdom, and Canada, with plans to add new locations in 2018. The next generation of ORION and dispatch technology solutions will help us further reduce miles driven, fuel use, and CO_2 emissions. By 2019, we plan to test a version that will provide navigation, route guidance, and real-time optimization for changing conditions, such as service updates or customer needs, and will automate and optimize dispatching of on-call pickups.

As these technology-driven investments are fully deployed, they will help us achieve our goal of reducing absolute GHG emissions across our global ground operations by 12 percent by 2025. Greater insight about what's moving through our network is helping UPS find better ways to deliver each package, more efficiently than ever.

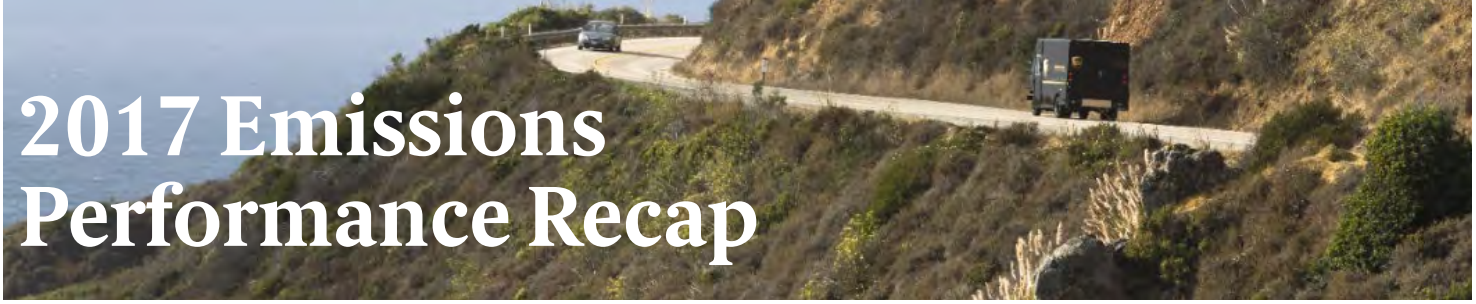


Stopping Misloaded Packages in Their Tracks

UPS employees make decisions every second to ensure that the right packages are loaded into the right package cars and on the right shelves within the cars. Misloads can require drivers to drive miles out of their way to correct mistakes. To help ensure the accuracy of this work, we introduced Preload Smart Scan, a Bluetooth-enabled technology that syncs packages with sensors placed in package cars.

Package loaders wear scanners that listen for signals. When a loader enters a package car, the scanner signals whether the package is on the correct vehicle. If the scanner detects a wrong package, the loader cannot scan the next package until the error is corrected.

This innovation is anticipated to cut package misloads by 70 percent. To date, almost half of U.S. package cars are equipped with Smart Scan beacons, with plans to expand internationally.



2017 Emissions Performance Recap

In 2017, package volume increased across all services, largely due to continued growth in retail sales broadly, as well as e-commerce sales. Business-to-consumer shipments, which represented about 50 percent of total U.S. Domestic Package volume, grew high-single-digits percent, which drove increases in both air and ground shipments.

E-commerce tends to be less efficient compared to business-to-business deliveries. E-commerce deliveries typically have fewer packages per stop and are often delivered to dispersed residential locations, so we travel more miles and use more fuel to deliver each package. Despite these headwinds, UPS is committed to successfully executing our GHG-reduction strategy. This includes many initiatives, such as enhancing ORION in our U.S. Small Package operations; expanding our fleet of alternative fuel and advanced technology vehicles; and providing shippers and customers with services such as the UPS Access Point™ network and the UPS My Choice® program. UPS is leading our transportation industry with the use of low-carbon fuels such as renewable diesel and renewable natural gas.

The sustainability impacts of growing e-commerce are presenting unique challenges for logistics companies. In addition to continuing with the deployment of solutions that are proven to help reduce emissions, we must also push ourselves to think differently and test new possibilities. To that end, we set a goal to reduce absolute GHG emissions for our global ground operations 12 percent by 2025 against a 2015 baseline. In 2017, our ground emissions remained essentially flat with our 2015 baseline, with a slight 0.6 percent decrease. The use of renewable energy will be critical as we continue to advance toward this goal. To do so, we have committed to increase the use of alternative fuels to 40 percent of our total ground fuel use by 2025. We also intend to have 25 percent of our total facility electricity come from renewable sources by 2025, and have committed, by 2020, that 25 percent of our annual vehicle purchases will be alternative fuel or advanced-technology vehicles. These commitments will result in cleaner emissions and help to commercialize the market for alternative fuels, such as renewable diesel and renewable natural gas. See discussion later in this chapter.

GHG Emissions by Source

(CO2e metric tonnes)

Source	GHG Scope	2017	2016	2015 Base Year
Airline Fuel	Scope 1	8,190,000	7,720,000	7,375,000
Vehicle Fuel	Scope 1	4,631,000	4,496,000	4,587,000
Facility Fuel (Heat)	Scope 1	226,000	216,000	235,000
Facility Electricity	Scope 2	745,000	831,000	814,000
Total		**13,792,000**	**13,263,000**	**13,011,000**

Transportation Intensity Index

In addition to our new absolute GHG reduction goal, we continue to report on the progress of our GHG intensity goal, the Transportation Intensity Index, introduced in 2010. This Index captures the overall efficiency of our global network by measuring GHG emissions associated with transporting packages and freight for our customers in a given year. Separate carbon intensity metrics measuring the Scope 1 and Scope 2 CO2e emissions for each of our three business segments are included in the Index. All three business segments have seen a decrease in their carbon intensity, reflecting greater efficiencies in our ability to move more packages and freight while emitting less carbon. As a result, UPS has realized an overall carbon intensity reduction of 17.9 percent versus a 2007 baseline by successfully executing GHG reduction strategies in our ground and air network.

U.S. SMALL PACKAGE OPERATION
CO2e/Package

↓19.6%
2007 Baseline: 2.78 LBS
2017 Actual: 2.23 LBS

GLOBAL AIRLINE FUEL
CO2e/ATM

↓ 8.4%
2007 Baseline: 1.54 LBS
2017 Actual: 1.41 LBS

U.S. SUPPLY CHAIN & FREIGHT OPERATION
CO2e/LB OF FREIGHT

↓36.0%
2007 Baseline: 0.26 LBS
2017 Actual: 0.17 LBS

CARBON INTENSITY REDUCTION OVERALL

↓17.9%
Compared to 2007

UPS PERSPECTIVE

Tamara Barker

Chief Sustainability Officer



How is UPS progressing toward the environmental goals set in 2017?

In 2017, UPS purchased more than 1,100 alternative fuel vehicles and 115 million gallons of alternative fuels. While we're pleased that alternative and renewable energy is becoming an increasingly prominent part of our fleet, we didn't make as much progress toward our targets as we had hoped. For example, our total GHG emissions decreased only slightly in 2017, and our total electricity consumption outpaced our use of renewable energy.

What accounts for that performance?

Our business continues to grow at an unprecedented rate, which is a good thing. However, this growth is also creating some headwinds for our sustainability goals. The e-commerce boom is generating more package volume, which is directly linked to an increase in our GHG emissions. This shift to more residential deliveries, coupled with service enhancements such as our Saturday Ground delivery in select markets, means that we're using more fuel, driving more miles, and generating more emissions.

We knew this would be part of the challenge when we committed to reducing our absolute, rather than intensity-based, emissions. To achieve our goal, we'll need to think differently to find new ways to mitigate our footprint while continuing to serve our customers' needs.

Where do you see areas of opportunity?

We expect our use of renewable energy to ramp up in 2018, with 10 megawatts of solar coming online and other projects in the works. At the same time, we're continuing to invest in alternative fuels and advanced technologies in our ground fleet. In 2017, we announced an investment in Big Ox Energy, which will provide another 10 million gallons of renewable natural gas beginning in 2018. We're also focused on the electrification of our fleet, including investing in a pre-order of Tesla's electric semitractor-trailers, as well as piloting a smart grid infrastructure project in London. Progress like this toward our electricity-, fuel-, and fleet-related goals will help decrease our absolute GHG emissions.

What progress did UPS make toward its community and workforce goals?

We're tracking well toward our goals in both areas. I'm especially proud of our employees around the world, who logged nearly 3 million hours of volunteer service and planted 2.7 million trees in 2017. Within the workplace, we saw a drop in the frequency of auto accidents, due in part to introducing new safety technology and training initiatives.

Our sustainability goals are ambitious by design, and setbacks simply serve as a reminder that we have room to improve. UPSers possess the expertise, determination, and creativity needed to overcome challenges, and this innovative spirit will be critical as we work toward achieving these goals.

A Lower Carbon Footprint in the Air

Since 2005, UPS Airlines has reduced its carbon intensity by 9.3 percent through strategies focused on our aircraft fleet, aircraft weight, and aviation procedures. Here's how we avoided greenhouse gas emissions "in the air" during 2017.



More Efficient Aircraft
Take Flight



UPS Airlines is a critical component of our logistics network, helping us to quickly connect our customers around the world. While our air fleet is also a large portion of our global environmental footprint, we help to reduce the absolute GHG emissions associated with the shipping activities of our customers and achieve the most optimal and efficient air network with initiatives focused on reducing fuel use.

After thrust, air conditioning — which is used to pressurize planes and provide comfort for passengers — is the second-largest consumer of jet fuel on commercial aircraft. When we retrofit passenger aircraft for our fleet, those systems are still operational at full capacity with no manual control. In 2017, we completed installation of ecocontrol modules, which allow us to more efficiently control air conditioning since there are no passengers to accommodate. This reduces jet fuel consumption approximately 0.72 percent due to reduced cruise fuel burn, which adds up to measurable savings over the thousands of flights our jets make every year.

We continue to make significant capital investments in new, more fuel-efficient aircraft. We announced an order of 14 Boeing 747-8 cargo jets and four new Boeing 767 aircraft to provide additional capacity in response to accelerating demand for the company's air services. All of the new aircraft will be added to the existing fleet, and no existing aircraft are being replaced.

The aircraft will be delivered on an expedited schedule, building on the company's 2016 order of 14 Boeing 747-8 freighters. All 32 of the jets will be delivered by the end of 2022, adding more than 9 million pounds of cargo capacity. UPS received three new 747-8 freighters in 2017. The new wing and engine design on the 747-8 reduces fuel consumption and carbon emissions by 16 percent over the 747-400F. The aircraft also operates 52 percent below the International Civil Aviation Organization's (ICAO) nitrous oxide limits and is 30 percent quieter than other jumbo cargo jets. Adding these freighters to what is already one of the youngest fleets in the industry will progressively increase our ability to optimize our air network, opening up more capacity as we reassign equipment to operations across the world.

UPS continues to participate in the Commercial Alternative Aviation Fuels Initiative, which provides a forum to monitor and engage in developments in alternative fuels and technologies for our airline. While there remains limited financial incentive for fuel companies to advance lower carbon alternative fuels for aviation, we monitor upgrades and support innovation in areas such as the development of renewable jet fuel.

Pounds of CO2 per Available Ton Mile

	2017	2016	2015	2005 Baseline	2020 Goal
lbs CO2 / ATM (Nautical Miles)	1.40 (9% reduction)	1.39	1.39	1.54	**1.24 (20% reduction)**
lbs CO2 / ATM (Statute Miles)	1.22 (9% reduction)	1.21	1.20	1.34	**1.08 (20% reduction)**

Growing Our Natural Gas-Powered Fleet

As the operator of one of the largest private fleets of alternative fuel and advanced technology vehicles in the U.S., UPS has ample opportunities to study how emerging energy sources perform in diverse, real-world conditions.

UPS is recognized as a leader in seeking alternative fuel options, and has invested millions in alternative fuel and advanced-technology vehicles over the past decade. As we have assembled this fleet, we've used it to test new technologies in our "rolling laboratory" of approximately 9,100 vehicles that drive each business day. This rolling laboratory allows us to quickly deploy viable alternative fuel equipment at scale, based on market and operating conditions.

In 2017, UPS took several major actions to increase the maturity of our natural gas fleet. We committed to investing more than $90 million in natural gas vehicles and infrastructure, including building six new compressed natural gas (CNG) fueling stations and purchasing nearly 450 new natural gas vehicles. This builds upon a $100 million investment in CNG fueling stations and vehicles made in 2016. Since 2009, UPS has invested more than $750 million in alternative vehicles and fueling stations globally. We now have a total of 52 natural gas fueling stations across the U.S. and over 5,200 natural gas vehicles accumulating more than 1 million miles each business day globally.

Renewable natural gas (RNG), also known as biomethane, can be derived from many abundant and sustainable sources, including decomposing organic waste in landfills, wastewater treatment, and agriculture. It is then distributed through the natural gas pipeline system, making it available for use as CNG or liquefied natural gas.

UPS continues to make investments in RNG. In 2017, we announced a five-year agreement with AMP Americas for 1.5 million gallons of RNG per year from the Fair Oaks dairy farm in Indiana, and an up to 10-million-gallon per year purchase from Big Ox Energy that runs through 2024. The Big Ox agreement is our largest investment in RNG to date, as well as one of the largest in the RNG market overall. In 2017, UPS used over 15 million gallons of RNG in our fleet.

Natural gas is a key building block in our reduction of GHG emissions. With these collaborations, we're not only improving our own fleet operations — we're helping move our industry forward.

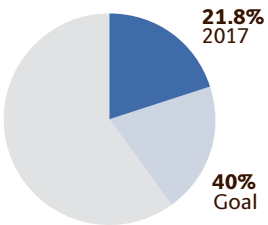
Fleet Fuel From Alternative Sources

Global Operations

GOAL

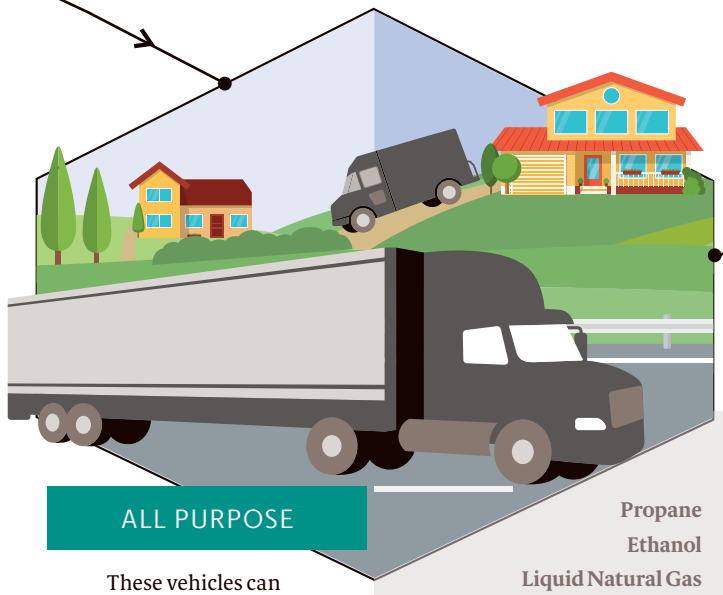
40%

of All Ground Transportation Fleet Fuel From Sources Other Than Conventional Gasoline and Diesel by 2025



Rolling Laboratory

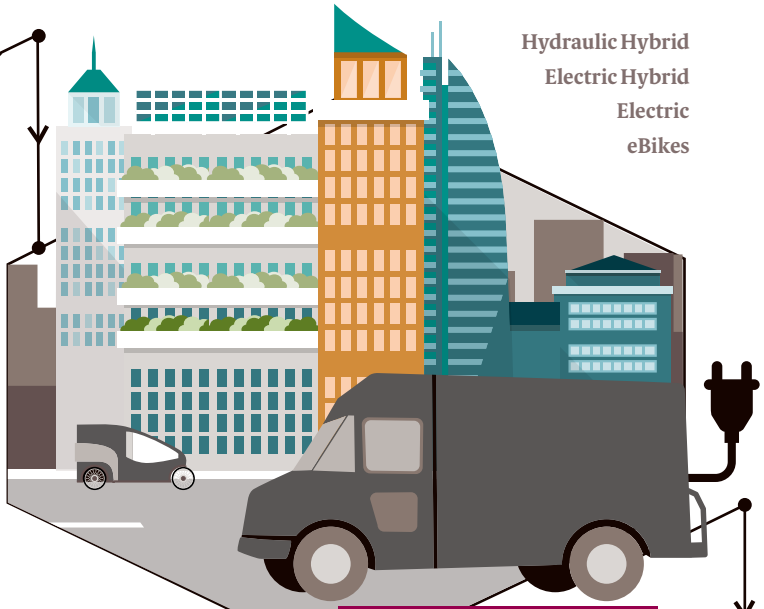
Through our rolling laboratory, we can determine how alternative fuels and advanced technologies perform in real-world operating conditions, quickly deploy viable options at scale, and spur market growth for alternative solutions. Here's how our diverse fleet of alternative fuels and advanced technology vehicles looked in 2017, as well as a preview of innovations we are developing for the future.



ALL PURPOSE

These vehicles can operate in a range of environments to help link rural and suburban delivery routes and connect regional UPS Hubs across the country.

- Propane
- Ethanol
- Liquid Natural Gas
- Renewable Natural Gas
- Compressed Natural Gas



URBAN DELIVERIES

Vehicles that help reduce tailpipe emissions where they are worst — in congested city centers.

- Hydraulic Hybrid
- Electric Hybrid
- Electric
- eBikes



FUTURE TECHNOLOGIES

We continue to explore usage opportunities with advanced propulsion, maintenance forecasting systems, and high-tech materials to deliver millions of packages a day more sustainably.

- Electric Tractors
- Fuel Cell Electric Vehicle
- Package Car of the Future

Electrification Technology Gains Momentum



Over the next decade and beyond, the logistics industry is poised to take a significant leap forward through the electrification of transportation.

Continued advances in vehicle range and cost will drive adoption of electric vehicles, while innovations in battery technology and solar energy will help address infrastructure challenges. With roughly 1,000 electric or hybrid electric vehicles already in operation in cities around the world, UPS expects to continue to lead the charge on electrification of medium-duty vehicles over the next five years. By 2020, one in four of our vehicles purchased annually will use advanced technology or alternative fuels — sending a clear signal to equipment manufacturers that electrification is here to stay. Investments made in 2017 are bringing us closer to this goal.

Debuting a New Line of Battery-Powered Trucks

UPS will become the first commercial customer in the U.S. to use a new line of medium-duty electric trucks — called the eCanter — from Daimler Trucks' Fuso brand. The eCanter is Daimler Trucks' answer to the public's need for a zero-emission, zero-noise truck for inner-city distribution. It has a range of approximately 62 miles and a load capacity of two to three tons. UPS will deploy three of these trucks in the U.S. in the near future.

UPS will be among the first companies to use Tesla's fully electric semitractor-trailer, upon successful testing. The new vehicles, which are expected to have a range of up to 500 miles on a single charge and will be equipped with a suite of enhanced safety features. UPS has provided Tesla with real-world UPS trucking lane information as part of the company's evaluation of the vehicle's expected performance for the UPS duty cycle.

First Fuel Cell Electric Vehicle (FCEV)

We plan to deploy a first-of-its-kind fuel cell electric delivery vehicle in Sacramento and Ontario, California. The Class 6 medium-duty delivery vehicle meets the same route and range requirements of UPS's existing conventional fuel vehicles — but with zero tailpipe emissions.

Demonstrating commercial scalability is an important step in the adoption of fuel cell technology. The fuel cell will be used as a range extender for the battery pack — a key advancement toward demonstrating the viability of zero tailpipe emissions trucks to fleet operators and the developing FCEV supply chain.

STAKEHOLDER PERSPECTIVE

Robin Haycock

Director

Fernhay



UPS has been collaborating for years with various city partners and other stakeholders to develop and test innovative package delivery solutions in dense urban areas. Building on the successes — and challenges — of these projects, we are now testing a "depot-to-door" sustainable package delivery system in central London. Robin Haycock, director at Fernhay, talks about collaborating with UPS on urban delivery innovations:

How did Fernhay become involved in the business of electrically assisted delivery vehicles?

Since 2016, we have worked with NGOs such as The Climate Group, government agencies, and environmentally conscious city officials on sustainable transport solutions. Working with UPS was a natural fit for our knowledge, expertise, and interest in the sustainable movement of goods.

How does this new urban delivery solution work?

Our focus is on the whole journey of a parcel from the depot to the door. First, special boxes are loaded with packages at the depot. Next, the boxes are brought downtown and transferred onto innovative electric powered e-trailers. Clever technology means that the weight of the laden e-trailer (up to 200kg) is not felt by the handler. The e-trailers then carry the boxes, delivering packages directly to homes and businesses. This solution enables access to dense parts of the city that would be difficult to reach by van, reduces pollution and avoids double handling of packages during the depot to door journey.

What types of urban areas are the e-trailers best suited for?

The ideal location is a dense megacity environment, where finite road space and taller buildings create challenges with delivery density (the volume of packages in a certain delivery area). Security, ease of parking, and proximity to customers are among the criteria we consider when evaluating this delivery method for a certain area.

If successful, how would this solution expand and scale to other locations?

This is the outcome of the Low Impact City Logistics project. Fernhay is the lead partner in a collaboration between UPS and others to look at ways to reduce congestion and emissions associated with urban package delivery. Through the sharing of knowledge and expertise, there is a lot we can solve together. We all know examples of dense megacities around the world. Our solution is one of the ways I hope we will overcome these problems, whilst enhancing quality of life for all. I am excited about the future and to be working with one of the leading logistics companies in the world. Learn more about the Low Impact City Logistics project here: http://lowimpactcitylogistics.com/.

Delivering Sustainable Urban Logistics

Cities around the world are growing more crowded every day, and this demographic shift is affecting quality of life in urban areas. At the same time, e-commerce is reshaping the way people live and work.

Customers have become accustomed to getting nearly anything they want, when and where they want it. The convergence of these two issues is creating challenges already evident in some cities: increased congestion, smog, and noise pollution.

In an effort to reach their sustainability goals, attract talent, and enhance economic competitiveness, some cities are taking actions that require new models of transport, including pedestrian-only, low- or zero-emissions zones. This has implications for how people get around, how they buy things, and how logistics companies deliver for customers.

To ensure a desirable quality of life in increasingly crowded urban areas, we need more intelligent transportation solutions that are both economically feasible and environmentally sustainable. UPS is spearheading partnerships with city officials, urban planners, and other thought leaders to ignite a new conversation about urban mobility and the potential for city-led transportation reform. These collaborations with cities are unearthing innovative ways to pick up and deliver packages while minimizing traffic congestion and pollution, and promoting operational efficiency.

Solutions for Cities Worldwide

The city of London, for example, is working toward ambitious goals to reduce congestion and pollution in its urban center, including instituting ultra-low emissions zones for all vehicles by 2019 and zero-emissions zones by 2025. UPS is responding to these commitments by expanding our fleet of electric vehicles and rolling out smart-grid and energy-storage solutions. As part of the Low Impact City Logistics project organized by Innovate UK, we are piloting a last-mile solution that involves loading packages onto electrically powered trailers which can be operated on foot or by bike at the depot, then delivering them by a single trailer to a central hub located within a busy urban area. The boxes are distributed from the hub via power-assisted trailers equipped with patented net-neutral technology that allows handlers to transport up to 200 kilograms with minimal effort. The packages are then delivered to homes and businesses by bicycle or on foot.

Similar last-mile solutions are taking to the streets in other European cities, based on the container solution we pioneered in Hamburg in 2012. A new "urban eco package hub" in central Dublin, Ireland, acts as a mini distribution center, with workers making deliveries from the container by foot or electrically assisted cargo tricycles. Similarly, three such containers are instrumental in helping reduce emissions and noise in Munich.

In the U.S., UPS has a long history of alternative delivery solutions. The company was first founded as a bicycle courier service, used early electric delivery vehicles in the 1930s, and today, UPS is collaborating with a diverse set of cities and academic partners to drive a new paradigm for sustainable urban delivery. In 2016, UPS tested its eBikes in Portland, Oregon; and, in 2017, launched similar pilot projects in Pittsburgh, Pennsylvania, and Ft. Lauderdale, Florida. These successful tests have led to other collaborations with like-minded cities looking to address congestion and quality of life issues as UPS continues developing and deploying cutting-edge urban solutions in 2018 and beyond.

In addition to direct pilot project implementation, UPS is also investing in and working with academic partners to engineer last-mile and "final 50 feet" solutions, both in terms of testing new technology and informing municipal policies. UPS's partnership with the University of Washington's Urban Freight Lab has led to new understanding of delivery barriers and the impact of the built environment on city congestion. Similarly, a UPS-led summer studio class with Georgetown University and the Washington D.C. Department of Transportation utilized a collaborative approach to data sharing and applied research, an approach that was recognized by the MetroLab Network and Government Technology magazine as an Innovation of the Month. These efforts set the tone for UPS's entire conversation with cities, breaking the mold not only in terms of new delivery modes, but also for what can be achieved through public-private partnerships.

STAKEHOLDER PERSPECTIVE

Ani Dasgupta

Global Director, WRI Ross Center
World Resources Institute



In 2017, UPS joined with GreenBiz to publish The Road to Sustainable Urban Logistics, a research study that explores the business and logistics challenges associated with growing urbanization. As a part of that research, we spoke with Ani Dasgupta, Global Director of WRI Ross Center for Sustainable Cities at the World Resources Institute, to get his insights about sustainable urban development.

What do you see as the biggest challenges facing cities today and in the future?

Population growth is a significant challenge, with more than two-thirds of the global population expected to call urban areas home by 2050. But, at the same time, most cities are not being built for success in the long term, regardless of how many people live there. Many are dealing with problems around mobility, land-use planning, and energy consumption that are compounded by poor planning. What's more, each city is unique. While we can apply best practices from one to another, there is no one-size-fits-all approach for building more successful cities. Solutions need to be tailored differently from place to place.

How can the private sector help cities face those challenges?

The majority of the urban built environment is constructed by the private sector — as much as two thirds in some places. The private sector is therefore an invaluable member of the constellation of urban change agents. For any solution to be sustainable, it needs to involve multiple stakeholders. Without these alliances, it's much harder to create change and sustain the momentum needed to stay on track. So it's business, absolutely, but also communities, civil society, and government.



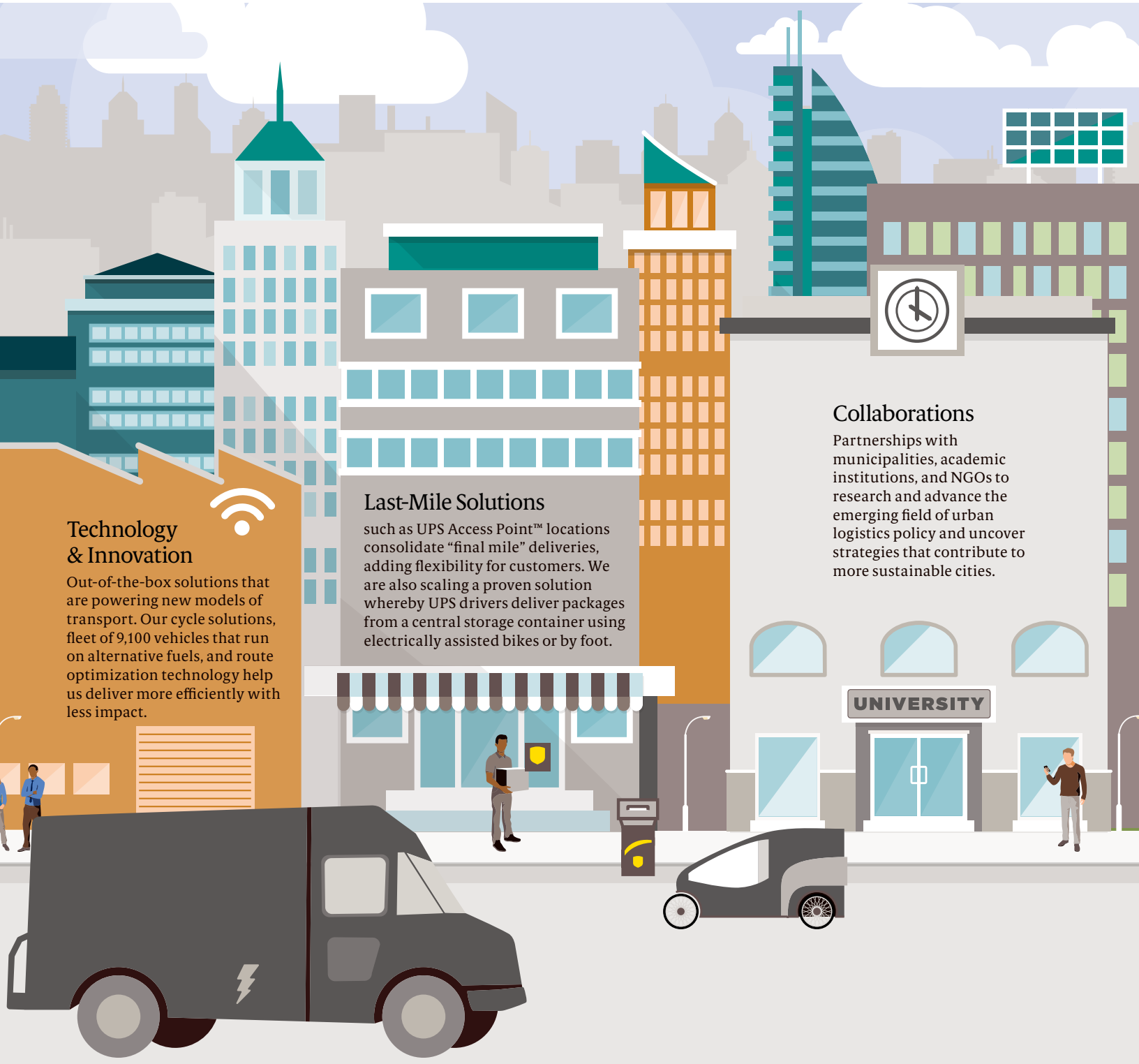
Designing Cities for Happiness

It's said that happiness begins at home. As more of the world's population migrates to urban areas, that means cities may hold the key not only to reduced congestion and pollution, but also to personal fulfillment. Thomas Madrecki, UPS's Director of Urban Innovation and Mobility, explored this idea at our 2017 TED@UPS event.

City planners are already busy designing futures full of bike paths and LEED-certified buildings. But these qualities aren't enough to give people a sense of connection, which research shows is the most important predictor of physical and mental health. Madrecki challenged urban planners to go beyond zoning codes and technical details to engage people in creating the cities they desire. https://www.ted.com/watch/ted-institute/ted-ups

Solutions for Urban Logistics

Growing cities and increasing e-commerce require improved urban infrastructure to meet the needs of an "on-demand" economy, while reducing the pollution, congestion, and noise that come with growth. UPS is working across three key channels to provide innovative and sustainable urban logistics solutions. Learn more at ups.com/citysolutions.



STAKEHOLDER PERSPECTIVE

Karen Vancluysen

Secretary General
POLIS



Collaboration is critical when developing innovative solutions built for the long-term, particularly with an issue as complex as urban logistics, where many stakeholders have competing priorities. UPS works with POLIS Network, which fosters cooperation on transportation research and advocates for accessible innovation, to share best practices and proposed solutions. POLIS Secretary General Karen Vancluysen shares her view about the unique opportunities and challenges facing sustainable logistics in European cities.

How is the growth in e-commerce affecting cities in Europe?

E-commerce generates a new type of traffic, which is more fragmented and somewhat irregular compared to 'conventional' commerce, where a delivery driver will drop off one large shipment to a brick-and-mortar store. The e-commerce boom means that there are more residential stops, and typically fewer packages at each stop. There are often more trips, so the societal costs such as congestion, smog, and noise pollution are higher, and cities face difficulties in adapting the curbside loading areas.

What unique challenges do European cities face as they adapt to the world of e-commerce?

European cities were developed centuries ago, so they often have to manage around historic district restrictions and may be limited in terms of infrastructure upgrades. Their often narrow, one-way streets are not ideal for delivery trucks and efficient distribution. Many of these centers are further complicated with large populations and dense concentrations of shops and restaurants.

At the same time, cities are feeling the added pressure of supporting the European Commission's targets to achieve essentially CO2-free logistics in urban centers by 2030 and phase out conventionally fueled city transport by 2050.

What role can logistics play in helping to improve quality of life for residents in crowded cities?

Innovative logistics solutions are critical to enabling goods to be delivered and services to be provided in European cities. Local officials have a direct impact on the movement of goods. Leading by example can make a huge difference, such as including sustainability criteria in procurement decisions for providers of logistics and other city services.

How do strong city innovations come about?

The strongest examples are where local authorities take measures in cooperation with logistics companies, such as the UPS city solutions in Hamburg and Dublin. As states and municipalities are responsible for their own mobility policies to meet goals for the European Commission, POLIS represents an important platform for the exchange of best practices between European cities, and fosters a constructive dialogue between European cities, institutions and industry, including logistics operators.

Making Our Facilities
More Sustainable

UPS's more than 2,500 facilities worldwide are an important part of our smart logistics network. Their operation offers major opportunities to reduce energy consumption and GHG emissions.

UPS incorporates sustainable building best practices when constructing new facilities or upgrading existing ones, and evaluates each new project for possible LEED certification.

As we work to build the smart logistics network of the future, this commitment will become even more important. We have more than 70 new package centers and hub projects underway, which will increase our efficiency and capacity and use technology to advance the connectedness of our network. Our new regional sorting hub in Atlanta, Georgia, for example, is a 1.2-million-square-foot facility that can carry more than 100,000 packages per hour over 15 miles of conveyors using advanced processing equipment. While such capabilities increase the efficiency of our network, they also are likely to increase energy usage.

Mindful of this increasing energy intensity, we have pledged to have 25 percent of our total facility electricity come from renewable sources by 2025. In 2017, we announced plans to invest $18 million in solar energy at our facilities, which will result in a nearly fivefold increase in the amount of power generated from solar at UPS facilities today. This will expand UPS's owned solar power–generating capacity by almost 10 megawatts, the equivalent of providing electricity to approximately 1,200 homes annually, reducing carbon emissions by approximately 8,200 metric tonnes per year.

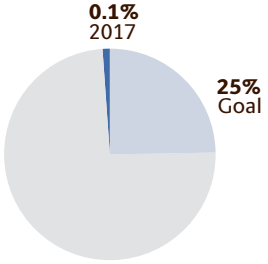
Facility Electricity From Renewable Sources

Global Operations

GOAL

25%

of Total Facility Electricity from Renewable Sources by 2025





Advancing Sustainable Facilities

UPS Sustainability Ambassador John Hill is a 33-year UPSer who serves as the facility manager for the UPS Supply Chain Solutions facility in Alpharetta, Georgia. In his role, John works with a team of local employee volunteers to drive sustainability efforts within their facility. Together, they started an organic garden that supplies produce for the on-site café, upgraded lighting to motion-sensitive alternatives that reduce energy usage, and helped UPS achieve its first LEED Platinum certification across more than 2,500 buildings. John's advice to others is to "be a catalyst — together, there is so much we can do to help people, the environment, and the company."



Investments in New Global Efficiencies

Recent investments are helping us get from point A to point B in innovative ways that connect new markets and have less environmental impact. In 2017, we announced the purchase of Freightex, a U.K.-based brokerage transportation provider, which is now part of Coyote Logistics. This transaction will build upon our purchase of Coyote Logistics, a North American truckload brokerage provider acquired in 2015.

Brokered shipping services allow shippers to choose their preferred means of transporting their goods. They are often more efficient than dedicated fleets because of higher fleet asset utilization, meaning fewer trucks travel the roads with less-than-optimal capacity. By aligning shared-system technologies, business processes, customers, and carriers between Coyote in North America and Europe, UPS further enhances global shipping efficiencies.

Another way to move more efficiently from point A to point B is to consider different forms of transportation. That's UPS's strategy in China, where we have expanded our options for rail shipments between China and Europe. Shipping by rail can save customers money and time in transit, and also offers environmental benefits. Rail service emits 25 times less CO2 than air freight. It also emits significantly less nitrogen oxide, nonmethane hydrocarbon, and sulfur dioxide than ocean transportation. These investments are part of UPS's efforts to build a worldwide logistics network that's intermodal, responsive, and sustainable.



Connected Community



2017 At-A-Glance

TOTAL CHARITABLE CONTRIBUTIONS
$118.3M

VOLUNTEER HOURS
2.9M

TREES PLANTED
2.7M

EMPLOYEE UNITED WAY CONTRIBUTIONS
$57.4M

UPS ROAD CODE™ GRADUATES SINCE 2009
46,000+

Taking a Global Perspective

UPS's global reach — one that touches many of the world's communities — has given us an understanding of the importance of protecting and helping communities.

We leverage our strengths in logistics expertise and planning to support these priorities. Our collaborations with humanitarian partners help communities plan and prepare for unexpected events, and our knowledge, funds, and in-kind disaster assistance bring relief when it matters most. These efforts are complemented by goals to drive employee volunteerism, increase charitable contributions, and plant trees around the world.

We are committed to helping improve the communities where we live and work. Our goals reflect the scope of our commitment and are indicative of our passion to make a meaningful impact around the world. These include cumulative goals to volunteer 20 million hours and plant 15 million trees by the end of 2020. Additionally, we have a goal to contribute $117 million in charitable donations by the end of 2020, which is solely for that year. The UPS Foundation's Board of Trustees regularly reviews these goals to ensure alignment with the Foundation's focus areas and the company's broader strategy. In 2018, we adjusted this target from the previously stated goal of $127 million to reflect transformation initiatives underway across the enterprise. Nevertheless, we will continue committing essential resources and mobilizing strategic public-private partnerships to make a positive impact for our business and the communities we serve.

A significant focus of our commitment is helping to build stronger, safer, more resilient communities around the world by sharing our vast distribution network and logistics expertise. The UPS Foundation supports these efforts by promoting road safety and partnering with the world's leading humanitarian organizations. We mobilize public-private partnerships to prepare for and respond to disasters and global crises, focusing on: preparedness and capacity building, urgent response, post-crisis recovery, and thought leadership.

Another major community focus is environmental preservation. The UPS Global Forestry Initiative helps support the environment for the long term through forest protection and tree planting, with a focus on preserving critical ecosystems to maximize impact. We engage with nonprofit organizations around the world to advance conservation efforts.





How The UPS Foundation Made a Difference in 2017

The UPS Foundation's four focus areas continue to drive progress toward the United Nations' 17 Sustainable Development Goals.



Solutions in the Sky for Humanitarian Relief

Leveraging technology has long been a focus for The UPS Foundation's humanitarian response efforts. As a leading global logistics company, UPS believes that every community, no matter how remote, is within our reach.

That's why The UPS Foundation partnered with Gavi, the Vaccine Alliance; and Zipline, a California robotics company, to launch the world's first national medical drone delivery network in Rwanda. This program addresses time-sensitive, last-mile delivery, one of the most critical humanitarian challenges.

It's an age-old problem for which cutting-edge technology is providing new solutions. The World Health Organization (WHO) reports that approximately 830 women die each day from preventable causes related to childbirth and pregnancy — with 99 percent of these deaths occurring in developing countries. In Rwanda, access to life-saving blood is critical for doctors caring for new mothers and children. There are significant infrastructure challenges to obtaining blood quickly, and the region's rainy season exacerbates the problem by adding hours to the amount of time blood spends in transit.

To address this need, The UPS Foundation has committed more than $2 million in cash, in-kind, and technical support for drones that quickly deliver blood on demand to doctors in rural hospitals. Drones can bypass washed-out roads and other infrastructure challenges to reach more than 8 million Rwandans in 30 minutes or less on average, substantially less time than is required to deliver supplies by vehicle. The network serves approximately two-thirds of Rwanda's geography, delivering supplies to 12 hospitals throughout the country.

The program has been saving lives since its launch, and in 2018, the program will grow from 12 transfusing facilities to 27 facilities, expanding service to local health clinics across the country — and increasing the number of Rwandans covered from 8 to 12 million. As the program expands to include medicine, vaccines, and medical supplies, the availability of supplies by drone will be made available to individuals at clinics for preventive care. If people know that doctors and nurses have access to the medicines and supplies they need, they may be more likely to visit a clinic, leading to improved health outcomes.







Mapping Damage After Harvey

Following the demonstrated success of the medical drone network in Rwanda, UPS applied a similar approach to partnership in the wake of Hurricane Harvey in 2017. To assist with recovery efforts, The UPS Foundation, American Red Cross, and drone manufacturer CyPhy Works, Inc., began a pilot project using a tethered drone to assess damage in areas affected by the storm. The pilot could serve as a future model for rapid disaster response.

In the past, Red Cross volunteers have gone door-to-door to assess damage to residents' homes. When major flooding occurs and roads are impassable, this process can take weeks, further delaying recovery. CyPhy's Persistent Aerial Reconnaissance and Communications (PARC) system travels up to 400 feet in the air and is equipped with a high-powered camera that provides miles of visibility. This bird's-eye view can identify homes with water damage, allowing responders to start offering aid before waters recede. PARC's tethered feature makes it an ideal solution for disaster areas where there is significant ground to cover. It can continue flying while attached to a generator, providing uninterrupted coverage for days or weeks at a time.

When people are facing a health emergency or a natural disaster, every minute counts. Whether delivering urgently needed supplies or accurately and quickly assessing damage, The UPS Foundation is helping save lives and laying the groundwork for faster recovery and rebuilding worldwide.

Rwanda Drone Delivery in 2017

6,100+
UNITS OF BLOOD AND MEDICAL SUPPLIES*

30
MINUTES OR LESS TO RECEIVE SUPPLIES

8+
MILLION PEOPLE IN COVERAGE AREA

880+
TOTAL EMERGENCY PACKAGES

**Units range from 25 mL to 400 mL based on item and order.*



The UPS Foundation Helps Weather 2017 Storms

The 2017 hurricane season was the most expensive in U.S. history, with three major storms — Harvey, Irma, and Maria — devastating the Caribbean and the U.S.' southeast coast. The storms broke records for speed, duration, and intensity, and estimates of the damage incurred are in the hundreds of billions of dollars.

Amid the season's chaos, The UPS Foundation offered a beacon of hope. When a disaster strikes, The UPS Foundation moves quickly to mobilize its relief network in support of first responders and provides immediate in-kind relief to assist with response and recovery efforts on multiple fronts. We pledged more than $1 million in support of recovery for each of the three major Atlantic hurricanes. The pledges combined cash grants, in-kind transportation assistance, and technical expertise to provide urgent relief, as well as support for long-term needs ranging from rebuilding to personal and financial recovery.

We also put our logistics capabilities to work throughout each region, deploying supply chain experts to the Caribbean, Florida, and Texas to help coordinate logistics support with partner agencies. After Maria, UPS Airlines flew a total of nearly 30 flights to Puerto Rico to deliver vaccines, health kits, and packaged meals for FEMA, CDC, UNICEF, and others. In support of needs in Cuba, and at the request of the International Federation of the Red Cross and Red Crescent Societies, we flew UPS's first planned flight to the country in company history to deliver tarps, hygiene kits, mosquito nets, and shelter tool kits for 12,000 families.

While hurricanes raged in the Gulf of Mexico, the states of Puebla and Morelos in Central Mexico were hit by a magnitude 7.1 earthquake. The Foundation offered funding and in-kind transportation of relief items, including shelters, and logistics support to CENACED, a nonprofit relief organization in Mexico.

The 2017 disasters left behind an almost unprecedented need for humanitarian aid. Despite this, The UPS Foundation was able to respond effectively even as the toll of destruction rose. This is due in part to our humanitarian giving strategy. We recognize that the needs in the immediate wake of a disaster differ greatly from those in later stages of recovery, and when we make a financial pledge, we communicate up front how much of the funds should be used for emergency response, reserving about half for long-term recuperation. This allows us to budget more effectively for recovery efforts that may last for years. In addition, The UPS Foundation provides $400,000 per year to the Red Cross's Annual Disaster Giving Program, which supports rapid-response needs such as shelters and food. This approach gives The UPS Foundation and the Red Cross flexibility, even when multiple disasters arise at once.

Responding to catastrophes of this scale is never a simple matter. From planning and resilience-building efforts that prepare communities for the unexpected to logistics and transportation capabilities that provide coordinated relief, The UPS Foundation is carrying out a vital mission that we are uniquely positioned to provide.

The Importance of Partnerships for Disaster Relief



In 2017, Hurricane Maria created unparalleled devastation on the island of Puerto Rico. To address the urgent recovery needs, The UPS Foundation, UNICEF, and the Empire State Relief and Recovery Effort led by New York Governor Andrew Cuomo came together to gather and deliver food, water, and other supplies where they were needed most.



Caryl M. Stern
President & CEO
UNICEF USA

The mission of the United Nations Children's Fund (UNICEF) is to address the needs of children in developing world. In the aftermath of Hurricane Maria, Puerto Rico was in a state of crisis. Access to essential services, including to safe water was cut off — leaving families at risk of deadly diseases. Although UNICEF responds to over 300 humanitarian emergencies annually, we typically do not do so in industrialized nations such as Puerto Rico.

Thus, there was no existing UNICEF infrastructure in place — no programs, supplies, or logistical expertise. To respond to the needs of the crisis, we needed to find the right partners.

We were impressed by how New York Governor Cuomo took the initiative to visit Puerto Rico to find out what was truly needed from the people themselves. His outreach got attention, and we were able to amplify his message to gather more supplies — and connect with long-time partners at The UPS Foundation for their logistical expertise to transport 60 pallets of drinking water and hygiene kits for 60,000 people to the island.

This successful effort is a strong example of how public-private partnerships provide essential resources for UNICEF's work and empower us to advocate and leverage support for the most vulnerable children around the world.



Eduardo Martinez
President
The UPS Foundation;
UPS Chief Diversity & Inclusion Officer

One of the focus areas of The UPS Foundation is our Humanitarian Relief and Resilience Program, which helps communities prepare for disasters, provides immediate assistance in the wake of disasters, and supports long-term recovery efforts. UPS is a long-time partner of UNICEF USA, working to strengthen UNICEF's global supply chain operations and support relief efforts since 2000.

When we were contacted by UNICEF and the Governor's team, we worked quickly to inventory and deliver aid through our smart logistics network. This included three flights coordinated with local agencies already on the ground. Once they landed, our drivers and trucks were ready to deliver supplies to the affected communities.

Logistics plays a vital role in humanitarian relief efforts to ensure the right supplies get to where they are needed most. UPS and our employees around the world are proud to have contributed logistics expertise to support 546 in-kind shipments in response to 26 disasters across 61 countries in 2017. Alone, this wouldn't be possible, but through collaboration we can help our partner organizations reach those most in need.

Building Resilience & Preparedness Worldwide

When disasters strike, communities need all hands on deck to respond. Private-sector companies can provide important resources, including warehouses, fuel, and other assets.

But without a way for businesses to communicate what they can offer and emergency responders to share what they need, valuable resources may go underutilized.

UPS is helping change that by participating in a number of initiatives that connect the private sector with organizations in their communities responsible for emergency preparedness and response. We are one of four global logistics companies that comprise Logistics Emergency Teams (LET), which provide expertise and response services to the Global Logistics Cluster of the United Nations led by the World Food Programme. LET companies provide pro bono assets and services and deploy highly trained experts to join the United Nations staff in disaster areas. Since 2007, UPS has deployed responders to more than a dozen countries to catalog and leverage private-sector resources to benefit the communities they occupy. In 2017, five UPSers participated in LET training in Dubai, focused on building resilience in the Indian Subcontinent, Middle East, and Africa (ISMEA) region.



We are part of a special public-private partnership in Turkey, a country that is highly vulnerable to disasters such as earthquakes and landslides, and is also home to the largest refugee population in the world. Sağlam KOBI, or the Business Disaster Resilience program, was established by The UPS Foundation, World Economic Forum, Corporate Social Responsibility Association of Turkey, and the U.S. Chamber of Commerce Foundation. It works to adapt existing disaster preparedness techniques and tools available in the U.S. for the Turkish business community, providing training and disaster awareness communications. The UPS Foundation and other partners stepped up these efforts in 2017 with a new Resilient Business Platform that will connect the private sector more strategically into disaster management and humanitarian action. A similar resilience-building program has been launched in Mexico, with plans to expand to Vietnam.



UPS is doing more than coordinating efforts between organizations. We are sharing our own expertise through the Humanitarian Experts on Mission Program, through which we place UPS logistics experts on long-term assignment to our partner organizations to help the organizations build capacity. For example, UPS managers apply their extensive healthcare, engineering, and customer solutions experience to develop strategies for governments in Africa in partnership with Gavi and The Global Fund to Fight AIDS, Tuberculosis and Malaria. Will Alterman, a UPS Automotive Fleet Manager, has completed his mission with the United Nations High Commissioner for Refugees (UNHCR). While on assignment, Alterman leveraged his experience and expertise in auto fleet management to enhance UNHCR's regional truck fleet across eastern Africa, enhancing their operational capabilities to mobilize support for refugees and internally displaced people in conflict areas.

Dispatching Expertise When Needed Most

The work that The UPS Foundation does in collaboration with humanitarian relief partners around the world doesn't end when aid shipments land in a disaster-stricken area. Once materials arrive, making sure aid is delivered where it is needed most hinges on the expertise of Logistics Emergency Team members like Dale Herzog. A 40-year veteran of UPS, Dale's experience in inventory management and supply chain logistics make him well-equipped to help disaster-stricken areas recover. A New Orleans native, Dale is inspired by his own personal experience with hurricane recovery, and appreciates the importance of getting aid quickly in the wake of a crisis.



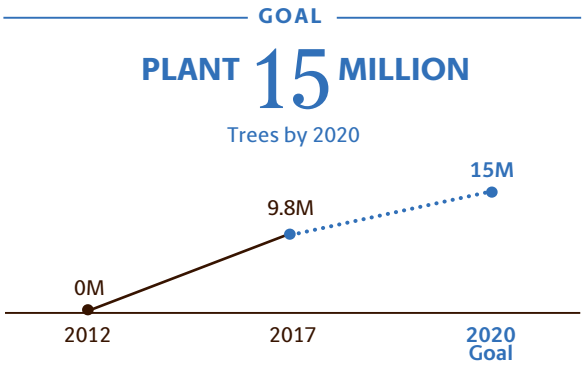
Making the World a Little Greener

Preserving the world's forests is critical to reducing carbon dioxide in the atmosphere, combating climate change, and protecting ecosystems. Investing in reforestation also builds resiliency by creating jobs, cleaning water, and protecting against erosion and mudslides. For these reasons and more, UPS launched the Global Forestry Initiative to plant, protect, and preserve trees in urban and rural areas around the world.

Through The UPS Foundation and select organizations, we have planted more than 9.8 million trees in 54 countries — more than halfway to our goal to plant 15 million trees around the world by the end of 2020. These trees have been planted by NGOs that received grants from The UPS Foundation, as well as UPS employees and their families and friends. Partner organizations include the World Wildlife Fund, National Arbor Day Foundation, Earth Day Network, Keep America Beautiful, The Nature Conservancy, and National Park Foundation. In 2017, The UPS Foundation awarded nearly $2.7 million in grants to support tree planting initiatives, conservation efforts, education, and research.

Trees Planted

(cumulative, as of 12/31/17)



Breaking the Gridlock on Human Trafficking

Human trafficking affects hundreds of thousands of people in the U.S. and more than 20 million people globally — yet the crime is often hidden in plain sight. Many traffickers strategically target locations along the nation's highways, which means that the logistics industry is uniquely situated to help identify and stop the practice. As a global transportation leader that can make a difference in the communities where we live and work, UPS has stepped up its efforts to address human trafficking through stronger policies, employee awareness initiatives, and strategic philanthropic partnerships.

The best chance of making a difference comes from helping law enforcement identify purchasers and victims to curb the illicit demand. UPS has proudly joined forces with Truckers Against Trafficking (TAT), a Colorado-based nonprofit, whose mission is to saturate trucking and related industries with educational materials and to equip drivers on how to recognize the signs of trafficking.

Following a pilot project between TAT and UPS Freight, we expanded TAT training to all U.S. driving operations, including delivery providers and semitractor-trailer drivers. Now, more than 90,000 UPSers can spot signs of human trafficking and have access to an anonymous help line where they can report suspicious activity they encounter while on the job. UPS also supports TAT with quarterly in-kind transportation of TAT's Freedom Drivers Project, which uses a tractor equipped with educational resources to serve as a mobile educational exhibit on human trafficking. The mobile museum has welcomed more than 20,000 people since its debut.

Partnering for Solutions

UPS is also taking its efforts to the skies, partnering with the Department of Homeland Security's Blue Campaign to educate UPS pilots and airline crew who may be in a position to spot human trafficking in airports and while traveling on commercial flights. In addition, two panel discussions on human trafficking held at UPS's corporate offices were very well attended, with many employees eager to volunteer their time to help address the issue.



To ensure all UPS employees, as well as our suppliers, third-party representatives, and consultants, understand our stance on human trafficking, we strengthened our Anti-Trafficking in Persons Policy and published it on the compliance and ethics website for global access. This policy, which strictly prohibits the use of UPS assets or resources for any purpose that would enable the trafficking of persons, governs the UPS enterprise as a whole.

In addition to the enhanced policy and nationwide education, UPS is leveraging the power of corporate philanthropy to invest in organizations that are raising awareness and finding solutions to end this epidemic. The UPS Foundation awarded grants totaling more than $300,000 to six partner organizations, such as Leadership Conference Education Fund and Alliance Anti Traffic, to combat human trafficking. This included $150,000 to United Way Worldwide's Center on Human Trafficking & Slavery to build an anti-trafficking curriculum for local agencies. UPS is proud to harness the power of public-private partnerships to address this important issue.

UPS Road Code™ Goes the Distance

According to the Centers for Disease Control and Prevention, drivers aged 16 to 19 in the United States are nearly three times more likely than drivers aged 20 and older to be in a fatal crash.

But new drivers of any age can be at risk on the roads. To help address the risks that inexperienced drivers face, UPS launched UPS Road Code, a program that has taught more than 46,000 people around the world to be safer, more confident drivers.



The program is a partnership between The UPS Foundation, Boys & Girls Clubs of America, and National Teen Driver Safety Week, and uses sophisticated multimedia and teaching techniques drawn from UPS's own driver safety methods. Road Code prepares novice drivers for road hazards not addressed in traditional driver education courses. Beyond basic safe driving instruction, the program covers the consequences of risky behaviors such as talking on cell phones, texting, and drinking while driving. Each participant has the opportunity to apply what they have learned by getting behind the wheel of a virtual driving simulator. Evaluations show that this approach is working: participants retain 85 percent of the knowledge shared during the program.

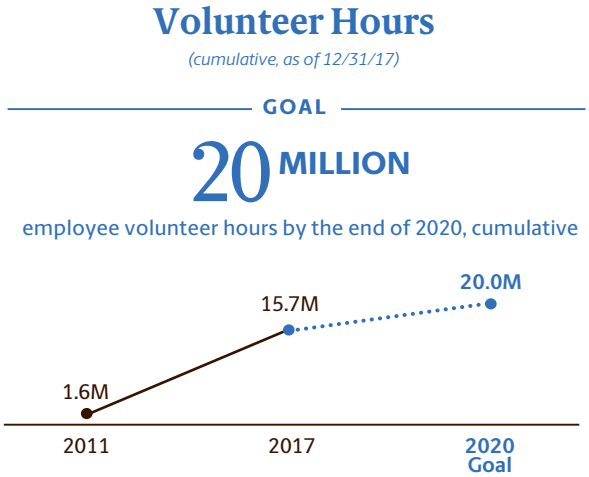
Road Code also empowers young drivers to be advocates for safety among their peers. In 2017, the program named two national teen ambassadors who each received $1,500 scholarships and the chance to advocate on behalf of safe driving nationwide. The program is offered by 57 Boys & Girls Clubs in the U.S. and six other countries, with its most recent expansion to the United Arab Emirates.



Employee Volunteers Give Back in Big Ways

As with our business, the scope and scale of UPS's volunteer efforts have the potential to make a significant impact. We never lose sight, however, that our collective impact is the result of individual commitment. Those commitments are on full display each October during our annual Global Volunteer Month.

For Global Volunteer Month's 15th year, UPS encouraged global employee volunteering to help advance the achievement of the United Nations' Sustainable Development Goals, which lay out global priorities for economic, social, and environmental development. The Global Volunteer Month volunteer hours, which totaled 408,000, helped UPS surpass its goal of 2.15 million volunteer hours in 2017. This achievement puts us 78 percent of the way toward our goal of volunteering 20 million hours by the end of 2020.





The Biggest Heart in Baton Rouge

"My mom was very outspoken in the community," says James "Big Brown" Joseph, a UPS package car driver in Baton Rouge, Louisiana. "If she saw something that needed to be fixed or made right, she didn't wait for help... she did it herself. If she saw a child without shoes, she would get them shoes. Clothes, food, whatever was needed. I'm just continuing the work she started long ago."



This commitment to serving his community earned Joseph the highest honor bestowed upon a UPS employee, the Jim Casey Community Service Award. The award, created in 1995, is named in honor of UPS's founder and long-time CEO. Joseph's community service is far-reaching, so he started a nonprofit to bring order to his work. Joseph's Big Brown Reaching Back fund supports 20 different organizations and has helped people displaced by flooding, delivered toys for needy children, equipped schools with supplies, and provided meals for those in need. Many of Joseph's fellow UPSers in Louisiana have donated their time and money to assist with these efforts.



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