

2006 UPS Corporate Sustainability Report

Published July 2007



Operating in Unison



UPS Sustainability Statement

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

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

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

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



UPS, which celebrates its 100th anniversary in 2007, is the world's largest package delivery company and a global leader in supply chain services, offering an extensive range of options for synchronizing the flow of goods, information and funds. Headquartered in Atlanta, UPS serves more than 200 countries and territories worldwide.


Letter from the Chairman

At UPS, we've always believed our success depends upon balancing economic, social and environmental objectives. From electric vehicles in New York City in the 1930s to the establishment of The UPS Foundation in 1951, UPS has operated in a responsible manner throughout our 100-year history.

Today, customers, employees and investors are increasingly concerned about how a company conducts itself. They expect transparency, which is the foundation for trust between our company and our stakeholders. That's why we are proud of the fact that in 2002 we became the first in our industry to publish a sustainability report. We set measurable goals and each year report on our progress.

This year we are moving forward in a number of important areas. Most notably, we have achieved one of our safety goals a year ahead of schedule. Through technology and innovation we are gaining efficiencies that conserve energy and reduce emissions. And, in communities around the world, UPS is lending a helping hand to those most in need through volunteer activities aimed at fortifying the more than 200 countries and territories we serve every day.

Sustainable business practices have served UPS well since our inception in 1907 and remain guiding imperatives as we enter our second century.

A handwritten signature in black ink that reads "Mike Eskew". The signature is fluid and cursive, with a large 'M' and a stylized 'E'.

Mike Eskew
Chairman and CEO

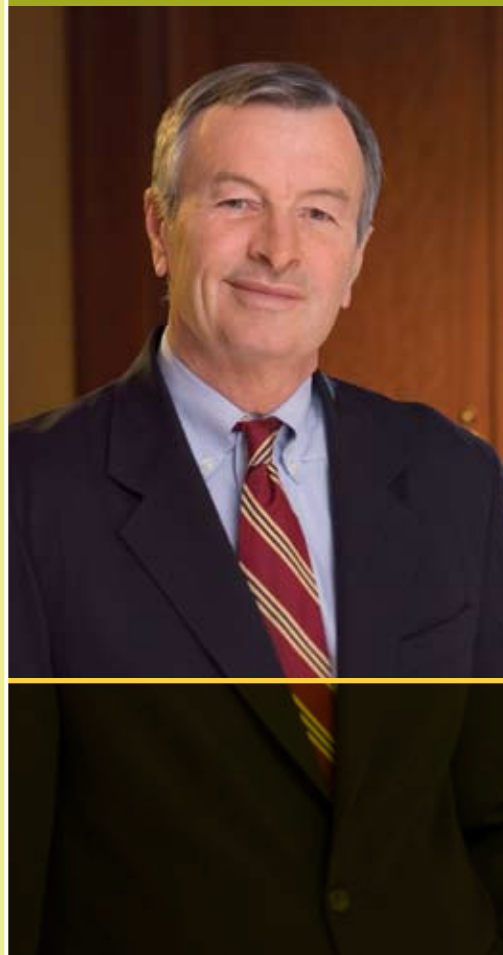


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The Future

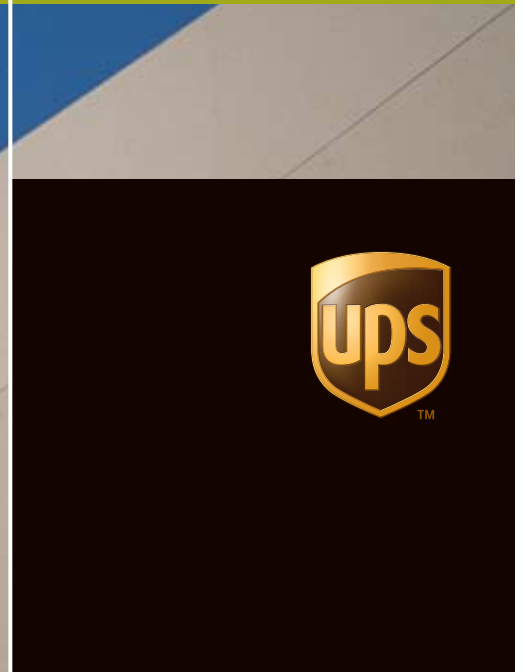
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About UPS

Company Profile

Our business — which serves 8 million customers daily in over 200 countries and territories by 427,700 employees — is built on a single, highly-integrated network structure. We believe this model is the most efficient, cost-effective, environmentally responsible and profitable in the industry. All goods — air and ground, domestic and international, commercial and residential — are processed through a single network. This results in very efficient use of assets and lower costs.

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

Our Business — Synchronizing Commerce

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

From moving cargo containers across the ocean to expediting customs paperwork at international ports to simply delivering a small package to a local neighborhood, we synchronize commerce for our 8 million customers each day.



Company Profile (cont.)

Our Technology — The Engine of Commerce

Complementing UPS's unique network structure, technology powers virtually every service we offer and every operation we perform. Today, more than 95 percent of the information about the small packages that move through our system each day is provided to us electronically by our customers. This information, known as "package level detail" or PLD, fuels the company's global small package operations.

Our new package routing technology marks a major re-engineering of our U.S. package operations. Through its use, we deliver packages even more reliably, while reducing our fuel consumption and emissions. The technology also positions us to provide more customized solutions for our customers.



Financial Information



(Millions of dollars except per-share amounts)	2006	2005	2004	2003	2002
Total revenue	\$47,547	\$42,581	\$36,582	\$33,485	\$31,272
Operating expenses	40,912	36,438	31,593	29,040	27,176
Income taxes	2,308	2,205	1,589	1,472	1,755
Net income	4,202	3,870	3,333	2,898	3,182
Diluted earnings per share	3.86	3.47	2.93	2.55	2.81
Total assets	33,210	34,947	32,847	29,734	26,868
Long-term debt	3,165	3,159	3,261	3,149	3,495
Shareowners' equity	15,416	16,884	16,378	14,852	12,455

Governance

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

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

Our governance practices are explained in detail on our UPS Investor Relations Web site (www.ups.com/investors). It includes information about the composition, committees and compensation of our Board of Directors. Detailed information about our structure and management philosophy is also available on the Web site.

Governance (cont.)

Employee Ownership

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

In the 1950s, we began awarding a percentage of profits to our managers to foster the company's partnership culture. UPS recently updated our Managers Incentive Plan from a profit-sharing plan to one tied directly to performance on key company goals. Each year, approximately 36,000 management employees receive a reward based on performance. The award consists of restricted stock units (50 percent) and the choice to receive the rest in either cash, additional shares or deferred retirement savings. The restricted stock vests over five years at 20 percent per year. Additionally, management employees are offered incentives to hold and accumulate UPS stock. We also award stock option and restricted stock awards to approximately 10 percent of the management team.

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

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



Governance (cont.)

Ethics and Compliance

UPS Corporate Compliance Mission Statement

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

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

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

Our commitment to ethical operations begins with top management. Our Chief Operating Officer serves as the Corporate Compliance Officer and has a reporting responsibility to the Board of Directors' Audit Committee.

The UPS Code of Business Conduct provides employees with worldwide Business Conduct guidelines, which apply to all UPS business units. The Code of Business Conduct is available to employees in 12 languages on our intranet.

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



Company Facts At-a-Glance

UPS FACT SHEET	
Founded	August 28, 1907, in Seattle, Wash., USA
Headquarters	Atlanta, Ga., USA
World Wide Web Address	UPS.com®
Chairman and CEO	Michael L. Eskew
2006 Revenue	US\$47.5 billion
Employees	427,700 (360,600 U.S.; 67,100 International)
PACKAGE OPERATIONS	
2006 Revenue	\$39.5 billion
2006 Delivery Volume	3.9 billion packages and documents
Daily Delivery Volume	15.6 million packages and documents
Daily U.S. Air Volume	2.3 million packages and documents
Daily International Volume	1.8 million packages and documents
Service Area	More than 200 countries and territories; Every address in North America and Europe
Customers	7.9 million daily (1.8 million pick-up, 6.1 million delivery)
UPS.com®	Average 15.0 million daily online tracking requests
Retail Access	The UPS Store®, 4,500; Mail Boxes Etc.®, 1,300 (global); UPS Customer Centers, 1,000; Authorized Outlets, 17,000; UPS Drop Boxes, 40,000
Operating Facilities	1,788
Delivery Fleet	94,542 package cars, vans, tractors, motorcycles
UPS Jet Aircraft	282; 8th largest airline in the world
Chartered Aircraft	325
Daily Flight Segments	Domestic — 1,130; International — 796
Airports Served	Domestic — 424; International — 389
Air Hubs	
– United States	Louisville, Ky. (main U.S. Air Hub); Philadelphia, Pa.; Dallas, Tex.; Ontario, Calif., Rockford, Ill.; Columbia, S.C.; Hartford, Conn.
– Europe	Cologne/Bonn, Germany
– Asia Pacific	Taipei, Taiwan; Pampanga, Philippines; Hong Kong; Singapore
– Latin America and Caribbean	Miami, Fla., USA
– Canada	Hamilton, Ontario



Company Facts At-a-Glance (cont.)

SUPPLY CHAIN AND FREIGHT	
2006 Net Revenue	US\$8 billion
UPS Supply Chain Solutions®	
– Key Services	Logistics and distribution; transportation and freight (air, sea, ground, rail); freight forwarding; international trade management and customs brokerage
– Specialty Services	Service parts logistics; technical repair and configuration; supply chain design and planning; returns management; urgent parts delivery
– Facilities	936 facilities in more than 120 countries; 35 million sq. ft.
UPS Freight	
– Key Services	Leading provider of less-than-truckload services coast-to-coast
– Delivery Fleet	6,792 tractors; 22,846 trailers
– Facilities	215+ service centers



Awards and Recognition

UPS continues to focus on improving the global communities in which we do business every day. We are constantly reviewing our processes to make sure we are reducing our environmental footprint. This includes examining how we drive, fly and conduct business worldwide.

In 2006, we continued to gain new recognition and introduce new initiatives that will help us achieve our sustainability goals. The following acknowledgements demonstrate our continuing commitment to operate our business in a socially responsible manner.

Workplace and Diversity

UPS ranked as one of the best places to launch a career by BusinessWeek magazine

In its inaugural year, *BusinessWeek's* "Best Places to Launch a Career" list ranked UPS 24th out of 50 other companies.

UPS ranked as one of top-50 businesses for Hispanics in the U.S.

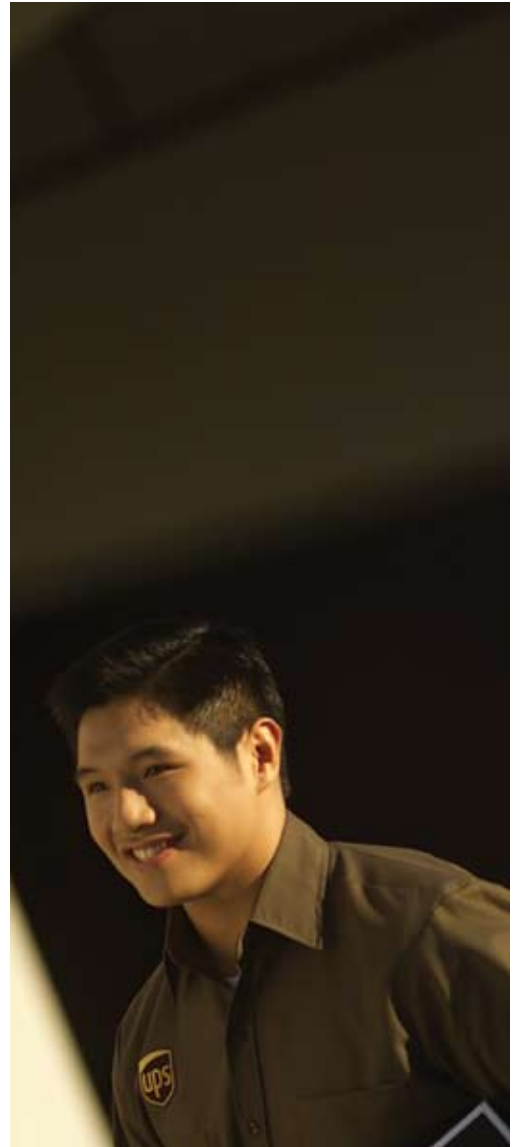
UPS was recognized by *Hispanic Business* magazine as one of the top companies in the world for Hispanics in the workforce. Overall, 50 companies were chosen based on their efforts to hire and retain those of Hispanic descent in their organization.

Overall, more than 30 variables were used to measure each company's commitment to Hispanic hiring, promotion, marketing, philanthropy and supplier diversity.

UPS named a top company for U.S. diversity

UPS was named to *Black Enterprise* magazine's list of "The 40 Best Companies for Diversity."

In recognizing UPS, *Black Enterprise* cited the company's continued commitment to a multicultural environment indicative of its global reach. The magazine highlighted statistics including 70,000 African-Americans in UPS's U.S. workforce, and minorities holding senior management positions and company board positions. Minorities also accounted for 50 percent of new hires last year.



Awards and Recognition (cont.)

UPS captures WIPP Corporate Partner Award

UPS was honored with the 2006 Women Impacting Public Policy (WIPP) Corporate Partner Award, which recognizes a company's proven support of women business owners.

Customers

Best online service

The Customer Respect Group ranked Overnite Transportation, now UPS FreightSM, as the top company out of 2,000 businesses for how it treats its online customers. The survey measured an online customer's experience in qualities such as simplicity, responsiveness, privacy and attitude.

Inbound Logistics readers rank UPS Supply Chain Solutions® number one for global logistics

UPS captured the top spot for 2006 in *Inbound Logistic's* 3PL Excellence Awards for the fourth consecutive year. Nearly 3,500 readers ranked more than 350 third-party logistics companies operating worldwide in the magazine's survey.

According to the magazine, UPS SCS was chosen based on criteria including customer service, reliability and the entrant's ability to establish good customer relationships.



Awards and Recognition (cont.)

Communities

The Points of Light Award for Workplace Volunteerism

The Points of Light Foundation honored UPS with its national award for excellence in workplace volunteer programs. The Award recognition specifically cited UPS for its community outreach program “Neighbor to Neighbor,” relief efforts after hurricanes Katrina and Rita and the company’s Global Volunteer Week, which mobilized employees in 50 countries. Altogether, UPS employees volunteered more than 154,000 hours during that week.

UPS recognized as the United Way’s top donor for seventh straight year

UPS, its employees and retirees have pledged \$59.3 million to United Way’s 2006 campaign. The pledge marks the seventh consecutive year UPS is United Way’s top contributor. More than 246,000 UPS employees participated in United Way’s 2006 campaign, contributing more than \$51.4 million. The company then contributed an additional \$8 million through The UPS Foundation.

Environment

U.S. EPA recognizes UPS’s Environmental Achievements

Citing UPS’s alternative fuel program and fuel conservation initiatives, the U.S. Environmental Protection Agency has honored the company with its distinguished Clean Air Excellence Award. The annual award recognizes organizations that improve air quality through innovative environmental programs.





Awards and Recognition (cont.)

Shareholders

FORTUNE magazine names UPS the most socially responsible company

FORTUNE magazine's "America's Most Admired" and "World's Most Admired" company surveys named UPS the most socially responsible company in America. UPS has been ranked number one in its industry for social responsibility for the last four years.

Business Ethics magazine recognizes UPS

Business Ethics magazine included UPS in its list of the top 100 most socially responsible U.S. companies.

UPS included in the Dow Jones and FTSE4Good Sustainability Indexes

The company was included in the Dow Jones Sustainability Index for the fifth consecutive year and the FTSE4Good Index for the third consecutive time.

Brand Excellence

UPS named one of top-10 brands for corporate citizenship

UPS ranked ninth in a survey of 152 brands ranked for corporate citizenship. Public relations firm GolinHarris interviewed 5,000 Americans, who rated 152 brands for the GolinHarris Corporate Citizenship Index (CCI) in September 2006. The CCI looks at 12 critical corporate citizenship drivers.

UPS named America's top brand by American Brand Excellence Awards

The American Brand Excellence Awards ranked UPS as the country's top business brand for 2006. This is the first year UPS has been ranked number one overall in the competition.

Respondents ranked UPS highly for "being an industry leader, forward-thinking, easy to use, ethical, popular, and a growing company." Ninety percent of the respondents said they were familiar with UPS and 91 percent said they use its services regularly.

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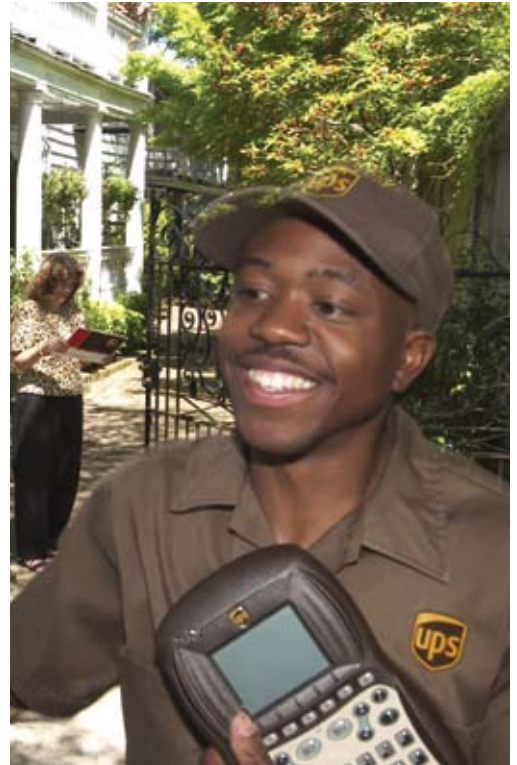
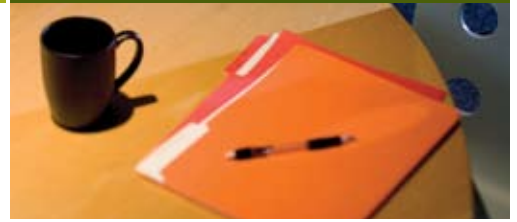
About the Report



History of the Report

In 2003, UPS issued our first Corporate Sustainability Report, *Operating in Unison*. The data in the first report was based on 2002 year-end information. The vision, strategy and goals detailed in the report were designed with 2007 in mind — UPS's 100th anniversary. Annual summary updates will be provided through 2007, and we will issue a centennial sustainability report in 2008.

UPS has completed an update of the status of our key performance indicators (KPIs) as of year-end 2006. We've provided our stakeholders with a chart that outlines our 2002 baseline data, 2006 status and 2007 goal for each KPI. We've also updated each section of www.sustainability.ups.com with new information about major initiatives launched in 2006 to maintain or improve our performance.





Reporting Guidelines

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

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

All measurements in the report uniquely reflect our culture, business model, quality of management and impact on natural resources. Throughout the report, KPIs are indicated with a special icon to distinguish them from informational charts and graphs, as shown below:

- Social** 
- Full-time retention rate
 - Employer of Choice Index
 - Philanthropy as a percentage of adjusted profit and total UPS charitable contributions
 - Automotive accident frequency
 - Lost-time injury frequency

- Environmental** 
- Penalties as a percentage of environmental agency inspections
 - Water consumption
 - Energy footprint
 - Ground network fuel efficiency
 - Global aircraft emissions
 - Percentage of fleet that meets Stage IV noise requirements
 - Greenhouse gas emissions footprint
 - Number of reportable spills
 - Hazardous waste



Key Performance Indicators

KPI Description	'02 Data	'03 Data	'04 Data	'05 Data	'06 Data	'07 Goal	Scope of Data in 2006	Additional Data Description
Social								
Retention Rate (full-time)	94%	94%	92%	92%	91%	≥ 92%	All Global Operations excludes UPS Freight	Percent of full-time employees that are retained annually (management and non-management).
Employer of Choice Index	76%	74%	75%	75%	75%	80%	All Global Operations	A subset of 20 questions from the Employee Opinion Survey that assesses employees' opinions of how UPS attracts, retains and motivates employees.
Philanthropy as a Percentage of Pre-tax Profit AND Total UPS Charitable Contributions	1.0%	1.0%	0.9%	1.0%	0.9%	1.0% maintain	All Global Operations excludes UPS Freight	Combined charitable contributions of UPS and UPS Foundation as a percentage of profit before interest and taxes (PBIT adjusted for one-time events).
Automotive Accident Frequency (per 100,000 Driver Hours)	17.7	18.2	17.8	17.0	15.3	15.2	All Global Operations excludes UPS Freight	Total number of vehicular accidents (regardless of severity) per 100,000 driver hours.
Lost-Time Injuries per 200,000 hours	6.3	5.5	3.8	3.6	2.6	3.2	All Global Operations excludes UPS Freight	Lost work days from injury or illness per 200,000 hours.
Environmental								
Penalties as a Percentage of Total Environmental Inspections	0.29%	0.50%	1.12%	2.06%	0.94%	No goal intended	U.S. Package Operations Supply Chain and Freight reported separately	Environment-related fines (U.S.) as a percent of total environment-related agency inspections.
Water Consumption — Absolute and Normalized Million cubic meters (total)	5.2	5.1	5.6	5.5	6.2	TBD	U.S. Package Operations includes Supply Chain and Freight	Water consumption (U.S.) includes all facility-related water and water used to wash vehicles — expressed in cubic meters.
Cubic meters per 1,000 packages	1.70	1.64	1.73	1.62	1.77			
Cubic meters per \$1,000 of Revenue	0.21	0.20	0.21	0.19	0.20			
Energy Consumption — Absolute and Normalized Million gigajoules (total)	88.4	88.0	88.1	94.4	98.2	TBD	U.S. Package Operations excludes Supply Chain and Freight	Energy consumption (U.S.) includes stationary sources of energy (electricity, natural gas, propane and heating oil) and mobile sources of energy (gasoline, diesel, jet A and compressed natural gas). Expressed in gigajoules of energy.
Gigajoules per 1,000 packages	28.95	28.23	27.14	28.12	28.14			
Gigajoules per \$1,000 of Revenue	3.64	3.47	3.27	3.30	3.22			
Gallons of Fuel per Package	0.1038	0.1012	0.1018	0.1036	0.1059	0.1008	U.S. Package Operations excludes Supply Chain and Freight	Fuel consumption (U.S.) includes gasoline, diesel, compressed natural gas, and UPS's calculated portion of fuel used for transportation by rail services divided by total U.S. ground and air packages.
Aircraft Emissions per Payload Capacity	0.92	0.88	0.86	0.83	0.81	0.77	All Global Operations	Total Emissions of HC, CO and NOx in kgs divided by the sum of max structural payload capacity (in thousands of kgs) weighted by annual aircraft cycles.
Percent of Total UPS Air Fleet Meeting ICAO Stage IV Noise Guidelines	92%	94%	95%	95%	96%	97%	All Global Operations	Percent of UPS total fleet that meets 2006 noise requirements (which only apply to new aircraft acquisitions). Cumulative noise (take-off, sideline and approach) as measured by Effective Perceived Noise decibels (EPNdB).
CO ₂ Emissions — Absolute and Normalized Million metric tonnes (total)	6.60	6.56	6.59	7.06	7.37	TBD	U.S. Package Operations excludes Supply Chain and Freight	GHG emissions (U.S.) calculated using GHG Protocol — scope 1 and scope 2. Includes stationary sources of energy (electricity, natural gas, propane and heating oil) and mobile sources of energy (gasoline, diesel, jet A and compressed natural gas).
Metric tonnes per 1,000 packages	2.16	2.10	2.03	2.10	2.11			
Metric tonnes per \$100,000 of Revenue	27.17	25.85	24.44	24.66	24.20			
Number of Reportable Spills Incidents to Federal or State Environmental Agency	43	44	50	42	33 Pkg Ops + 25 C&F	As close to 0 as possible	U.S. Package Operations Supply Chain and Freight reported separately	Spills that meet criteria of being federal or state reportable.
Hazardous Waste Management Methods (recycled/incinerated/landfilled) [tons]	76/437/24	33/483/27	46/551/30	45/639/14	59/845/18	Reduce waste/Proper disposal	U.S. Package Operations includes Supply Chain and Freight	Method of disposal for hazardous waste generated in UPS facilities. (Landfilled waste is treated to non-hazardous and then disposed of in a secure landfill.)
Additional Indicator Description								
Social								
% Participation in Employee Opinion Survey	89%	88%	89%	88%	89%	95%	All Global Operations	Percent participation in Employee Opinion Survey administered annually.

Highlights of the Report

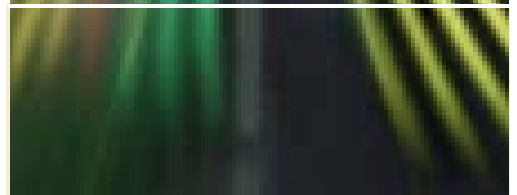
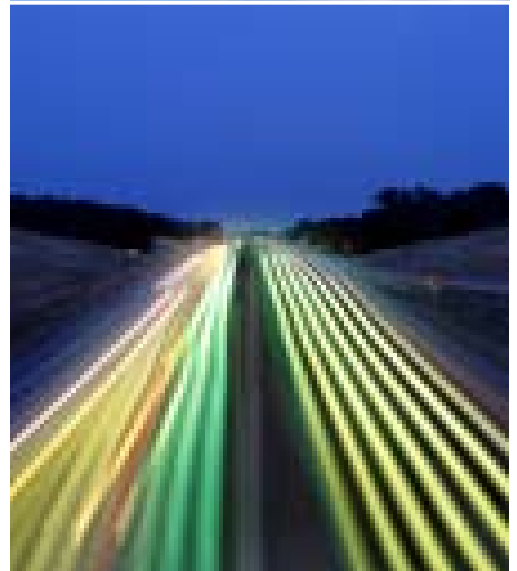
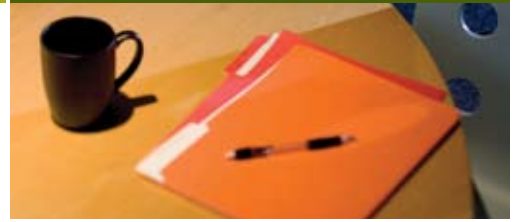
Overview

UPS continues to focus on improving the global communities in which we do business every day. We are constantly reviewing our processes to make sure we are reducing our environmental footprint. This includes examining how we drive, fly and conduct business around the world.

In 2006, we continued to gain recognition and introduce new initiatives that will help us achieve our sustainability goals of the year 2007. Following are key developments and examples of new initiatives that are helping us achieve our sustainability goals.

Economic Sustainability

- Named the most socially responsible company among all companies in *FORTUNE* magazine's "America's Most Admired" survey.
- Included in the Dow Jones Sustainability Index for the fifth consecutive year and the FTSE4Good Index for the third consecutive time.
- Included as one of the Global 100 Most Sustainable Corporations in the world by *Corporate Knights* magazine for the second consecutive year.
- Included in *Business Ethics* magazine's 100 Best Corporate Citizens. During 2006, UPS was the only delivery company to make the list.



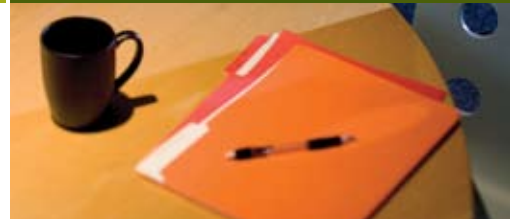
Highlights of the Report (cont.)

Community Investment

- In 2006, volunteers collectively logged more than 959,000 hours worldwide through the company's Neighbor to Neighbor volunteer program.
- Encouraged participation in the third annual UPS Global Volunteer Week, during which more than 23,000 employees volunteered 154,000 hours in more than 50 countries.
- In 2006, The UPS Foundation's global contributions totaled US\$45.9 million.
- UPS, its employees and retirees pledged US\$59.3 million to United Way's 2006 campaign. The pledge marks the seventh consecutive year UPS is United Way's top contributor.

Workforce Investment and Acknowledgments

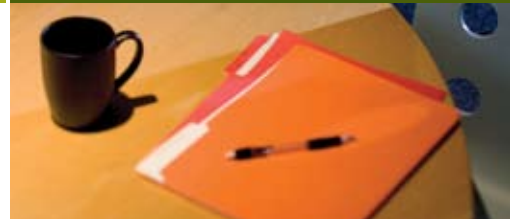
- Invested US\$24.4 billion in our employees worldwide. This investment includes US\$8.6 billion in indirect pay, including income protection, healthcare benefits and retirement plans. It also includes US\$113 million (401(k)) SavingsPLUS stock matches.
- Ranked one of the best places to launch a career by *BusinessWeek* magazine.



Highlights of the Report (cont.)

Ground and Air Fleet Initiatives

- Continued to add modern, wide-body aircraft including six A300-600s and five MD-11s to our fleet, which improves the overall efficiency of the air network and offers environmental benefits as well. These benefits include increased fuel economy and reduced noise and fuel emissions.
- UPS continues to develop and use sophisticated aircraft routing technology to improve the fuel efficiency and environmental performance of the UPS Airlines — the eighth largest airline in the world.
- Continued to enhance the UPS ground fleet with our “rolling laboratory” philosophy — using our alternative-fuel fleet as a way to learn how new technologies and advancements can be adapted for use in a large delivery fleet. This included purchasing 50 next-generation hybrid electric vehicles that will operate in Dallas, Phoenix, Houston and Atlanta. Additionally, UPS is working with the U.S. Environmental Protection Agency and others to test the world’s first fully hydraulic hybrid urban delivery vehicle.



Highlights of the Report (cont.)

Infrastructure Initiatives

- Continuing the implementation of UPS Package Flow Technologies, which optimize delivery routes. This includes a suite of hardware and software designed, in part, to help UPS plan the most effective and fuel-efficient route for our delivery vehicles. During 2006, the company was able to shave 28.5 million miles off of delivery routes in the U.S.

Recycling

- Recycled 2.7 million pounds of electronic equipment from our own operations. Since the program began in 2000, UPS has recycled 19.7 million pounds of electronic equipment.
- Recycled 36,800 tons of solid waste materials including metals, plastics, paper, corrugated materials, pallets and wood waste. Additionally, UPS purchased 36,300 tons of materials with recycled content.



Frequently Asked Questions

Why is UPS committed to sustainability?

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

Why did UPS decide to do a sustainability report?

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

How does UPS set its sustainability goals?

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

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

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



Frequently Asked Questions (cont.)

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

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

How often does UPS report progress on its sustainability goals?

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

In 2003, we issued our first Corporate Sustainability Report, *Operating in Unison*. The data in the first report was based on 2002 year-end information. The vision, strategy and goals detailed in the report were designed with 2007 in mind — UPS's 100th anniversary. Annual summary updates will be provided through 2007, and we will issue a centennial sustainability report in 2008.

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

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

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



Frequently Asked Questions (cont.)

Initiatives include:

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

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

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

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

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

How do I find employment with UPS?

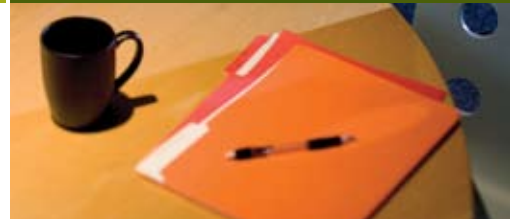
To explore job opportunities with UPS, please visit www.upsjobs.com.

Feedback

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

E-mail: sustainability@ups.com

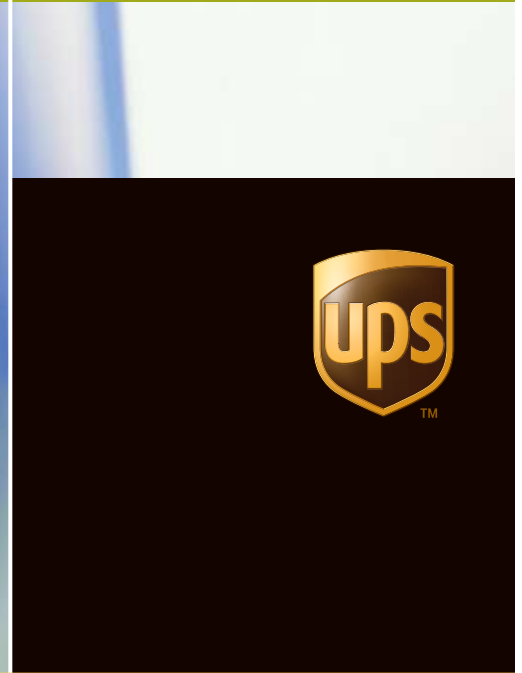
Address: UPS Corporate Sustainability Report Committee
55 Glenlake Parkway, NE
Atlanta, GA 30328
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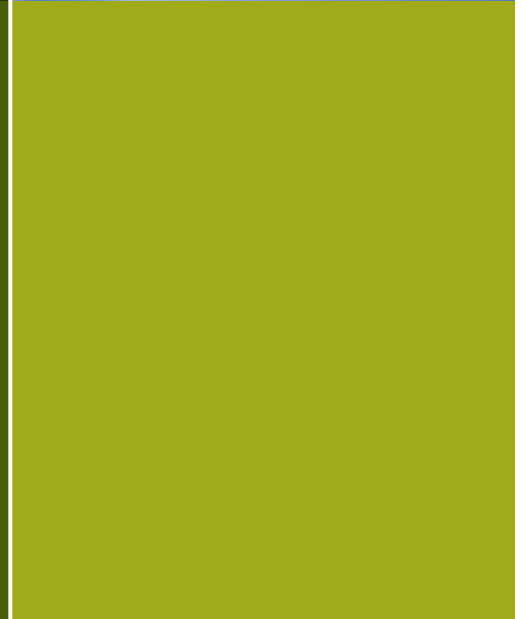
Operating in Unison

2006 UPS Corporate Sustainability Report

Published July 2007



Economic



Every day, millions of business transactions speed across telephone wires, computer networks and wireless equipment. From moving huge cargo containers across the ocean to expediting customs paperwork at international ports to simply delivering a small package to a local neighborhood, we synchronize commerce for 8 million customers around the world each day.

While we delivered a record 3.9 billion packages in 2006, UPS is much more than a shipping company. By facilitating the flow of goods, information and funds, we help companies, large and small, thrive in today's increasingly competitive marketplace. Our business also benefits employees, shareowners and communities through wages, taxes, dividends and charitable contributions. Our goal is to run a financially sound business, in a socially responsible and financially sustainable manner, to ensure our ongoing ability to positively impact the stakeholders with whom we interact every day.

"We believe that running a strong and profitable business leads to greater opportunities for our customers, employees, shareholders and communities."

— UPS Chairman and CEO Mike Eskew



Economic Impact

UPS's financial strength enables the company to extend economic benefits to our various stakeholders. Among these benefits are:

Employee Compensation and Benefits

UPS currently employs 427,700 people. Our business creates competitive wage and benefit packages for full- and part-time employees.

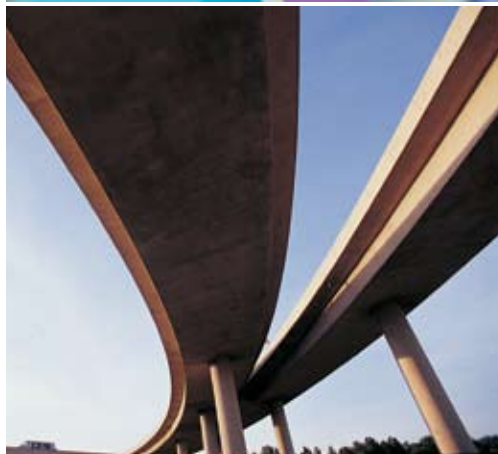
In 2006, we invested \$24.4 billion in our employees worldwide, which is 51.4 percent of total annual revenue of \$47.5 billion. This investment includes \$8.6 billion in benefits, including paid vacations, healthcare benefits and retirement plan expenses. It also includes \$113 million in SavingsPLUS (401(k)) stock matches for U.S.-based employees.

UPS offers full- and part-time employees a great place to work. Programs vary by country and group, but many full- and part-time employees receive:

- Comprehensive health benefits for employees and their families
- Pension benefits
- Savings plans
- Discounted employee stock purchase plan
- Paid vacation
- Tuition assistance

Taxes

UPS's financial impact on our communities is substantial. Last year, UPS paid approximately US\$2.3 billion in taxes in the communities we serve worldwide.



Economic Impact (cont.)

Economic Impact of Our Global Expansion

In 2006, UPS announced a US\$1 billion expansion to our Worldport operation in Louisville, Ky., that is expected to create more than 5,000 additional jobs. According to the Greater Louisville, Inc. Chamber of Commerce, from 1998 to 2006, the UPS sorting hub was responsible for the creation of 13,325 area jobs with an annual payroll of more than US\$445 million.

Additionally, more than 90 companies have moved to Louisville, Ky., in recent years just to be close to UPS's Worldport and Supply Chain Solutions. This further expands UPS's economic impact in that location. Companies locate their businesses near UPS to speed up the delivery of their products to their customers.

The Worldport project is the latest of several expansion moves to accommodate international and domestic air growth. The company has announced plans to significantly expand the capacity of its intra-Asia air hub in the Philippines; and completed the expansion of its European air hub in Cologne/Bonn, Germany, doubling that facility's sort capacity.

Additionally, UPS has announced plans to begin building an air hub in China. The China hub project is the latest in a series of strategic initiatives to expand UPS's operations and brand presence there. In 2005, the company took direct control of its operations in China, serving more than 330 cities representing 85 percent of the country's international trade activity. UPS also expanded its air operations in China throughout 2006 and now flies to more points in China than any other U.S. airline, cargo or passenger. The company has grown its China workforce to more than 4,500 employees, while also constructing a large logistics infrastructure that includes more than 60 distribution centers.



Economic Impact (cont.)

Dividends

In 2006, UPS distributed US\$1.6 billion in dividends to UPS shareholders.

Charitable Giving

At UPS, we believe strongly in making a difference in the communities we serve. Through The UPS Foundation, the charitable arm of the company, we strive to maintain corporate giving contributions equal to a five-year trailing average of 1 percent of pre-tax, adjusted profits.

In 2006, The UPS Foundation gave US\$45.9 million to tax-exempt charitable organizations and initiatives that focus on improving human welfare, education and other major initiatives such as promoting literacy and battling hunger.

In addition, last year UPS employees donated more than 950,000 hours in volunteer activities around the world.



Economic Impact (cont.)

Enabling Global Commerce

"Last year, around the world, we helped support nearly a trillion dollars in business transactions for our customers."

— Mike Eskew

UPS is more than just a shipping company. UPS manages supply chains for companies large and small in 150 countries. We provide a broad range of transportation solutions to customers worldwide, including air, ocean and ground freight, as well as customs brokerage and trade/materials management. In addition, we offer a portfolio of financial services to facilitate our customers' ability to take advantage of the opportunities global trade offers.

UPS's supply chain services enable customers to:

- Increase productivity and maximize efficiency
- Enhance their customer service
- Improve cash flow
- Differentiate products, and
- Expand global markets



Economic Impact (cont.)

Opportunities for Small and Diverse Businesses

UPS has always been a partner of small businesses and, in fact, the company was started in 1907 as a bicycle messenger service on just US\$100. UPS understands that a small business owner's passion and focus is on running and building their business, not operational details like shipping. UPS makes shipping easy and fast for small businesses whether they're shipping around the corner or around the world.

UPS provides business opportunities to small, minority- and women-owned businesses. In 2006, UPS awarded more than US\$409 million in contracts to small businesses and US\$285 million to minority- and women-owned businesses through the UPS Supplier Diversity Program.

"It's very rewarding to have a company the size of UPS actively looking for ways to help businesses as small as mine."

— Small Business Owner Lucinda Yates

UPS has the capability to help small businesses act like large ones by providing access to a broad portfolio of services, technology and funding. From tracking and forecasting the movement of goods to small business loans and information technology, UPS fuels the growth of many businesses each year. In fact, UPS helps many small businesses go global.

UPS Capital, our financial services unit, helps reduce trade risks by facilitating payments with new customers. In addition, UPS Capital has dramatically increased its lending activity through the government-guaranteed U.S. Small Business Administration (SBA) loan program. Loans issued from September 2005-2006 are valued at US\$190.7 million, making UPS among the SBA's Top 15 lenders, as measured by dollar volume. UPS Capital Business Credit's SBA activity in 2006 increased more than 22 percent in both the number and dollar value of loans facilitated compared to the previous fiscal year.

[Learn more about UPS Small Business Solutions](#)



Operating in Unison

2006 UPS Corporate Sustainability Report

Published July 2007



Social



Today, synchronizing commerce is more than a business process or an emerging industry space. It's about operating in unison with employees, communities and governments to foster greater global economic prosperity and encourage individual achievement.

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

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

In this section, we've detailed the opportunities and the challenges UPS faces in creating a culture of commitment among employees and communities.



Global Workforce Development

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

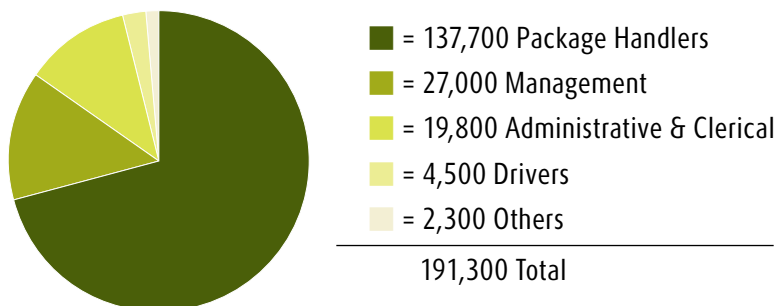
As we have expanded globally, we have learned it is best to have local people manage our operations. At the end of 2006, out of 67,100 employees working in our global operations, UPS had just 83 U.S. expatriates. This practice enables us to integrate our operations seamlessly into any culture or economy, while ensuring that we are sensitive to the cultural needs of the local workforce.

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

Part-time

Part-time employees are a critical part of our workforce — 47 percent of our employees hold part-time positions. The nature of the package delivery business — periodic bursts of activity throughout the day — requires carriers like UPS to use part-time employees. While meeting the needs of the company, our part-time jobs also meet the needs of thousands of people, like students, retirees and others who want flexible hours, competitive wages and benefits.

Global — Part-time Workforce



UPS Global Workforce

U.S.	360,600
International	67,100
Employees Worldwide	427,700

Global Workforce Development (cont.)

Managing turnover in a large part-time workforce is a challenge industry-wide, and UPS shares that challenge. In 2006, turnover in our part-time workforce totaled 59 percent. However, it is also true that our average part-time employee in the U.S. is with us for more than three years before pursuing full-time opportunities within the company or pursuing opportunities elsewhere.

In order to address turnover in key locations, we provide education and development opportunities for our people. We offer a wide range of tuition assistance programs to help us recruit and retain college students. In the U.S., college students made up more than 55.2 percent of our new part-time hires in 2006. It's an ideal match — we pay for a significant amount of their college tuition plus an hourly wage and full benefits. Reducing turnover reduces hiring and training costs significantly, creating a worthwhile return on our tuition assistance investment.

The UPS Earn and Learn Program

Since it began in 1999, the UPS Earn and Learn program has provided over US\$96 million in tuition assistance for nearly 74,000 employees to help pay for their college education. This program is available at 85 UPS locations in the U.S.

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

Metropolitan College

A unique partnership between UPS and the state of Kentucky, Metropolitan College offers people the opportunity to pursue their college education for free while also working for UPS. Since the program's inception in 1998 in Louisville, 10,833 employees have enrolled in Metro College. In 2006, 2,374 employees were enrolled.

[Learn more about Metropolitan College](#)

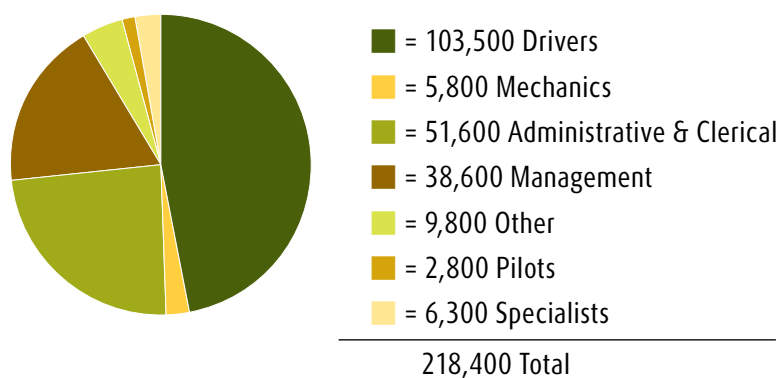


Global Workforce Development (cont.)

Full-time

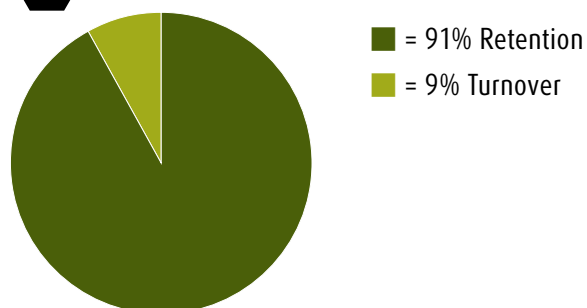
Because of our promotion-from-within policy, many part-time employees have the opportunity to move into full-time positions. Full-time positions range from drivers and mechanics to software engineers, industrial and plant engineers, sales executives and human resources professionals.

Global — Full-time Workforce



As a result of the career and company ownership opportunities created for our employees, turnover in our full-time workforce is at an industry low of 9 percent.

KPI Global — Full-time Workforce Retention and Turnover



Global Workforce Development (cont.)

2007 Goal

Maintain the full-time workforce retention rate at no less than 92 percent.

Attrition (including retirements), acquisitions and market conditions will cause our current retention level to fluctuate. Striving for 92 percent retention perpetuates institutional knowledge while also allowing for a steady influx of new talent and ideas. As of 2006, the average full-time manager has worked for the company 15.3 years.

The full-time retention rate now reflects UPS's global operations, except Overnite/UPS Freight. For 2006, the rate dropped 1 percent to 91 percent.

Initiatives:

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



Global Workforce Development (cont.)

Opportunity and Diversity

UPS Charter

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

With 427,700 employees and 8 million daily customers in more than 200 countries, equal opportunity is part of the social fabric at UPS. It reflects a mindset of inclusiveness, respect and cooperation — core values that drive our relationships with employees, customers, suppliers and communities.

2006 Year-End UPS Workforce Diversity in the United States

Our U.S. diversity initiatives are guided by the UPS Diversity Steering Council, co-chaired by our Chairman and CEO and our Senior Vice President of Human Resources.

Women as a percentage of officers and managers	29%
Minorities as a percentage of officers and managers	32%

Asian	4%
Black	17%
Hispanic	10%
Native American/Other	1%

2006 Year-End Diversity Among UPS Board of Directors

Women on the Board of Directors	17%
Minorities on the Board of Directors	17%



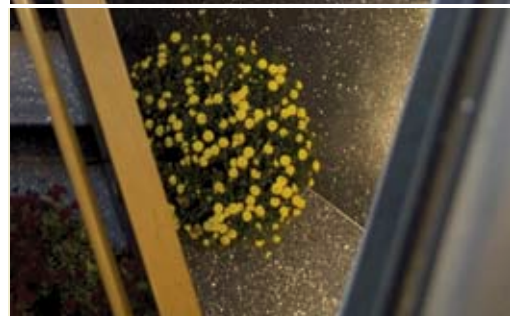
Global Workforce Development (cont.)

Fair Treatment

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

We have comprehensive policies and procedures in place to ensure fair treatment across the business:

- *Our UPS Code of Business Conduct* clearly identifies our policies. We treat each individual fairly, and we recruit, select, train, promote and pay employees based on merit, experience and other work-related criteria. Our policies comply with all laws governing fair employment and labor practices worldwide.
- Our Professional Conduct and Anti-Harassment Policy prohibits harassment based on race, sex, national origin, disability, sexual orientation, age or religion. Training is provided to employees on this policy upon joining UPS.
- Many of our employees are represented by labor unions and work councils worldwide. We know that our people can be effective and loyal employees and, at the same time, be good union members. We consider the point of view of unions along with the interests of our customers, our employees and our company as a whole. The UPS Policy Book provides guidance on this topic.
- We negotiate fairly with labor unions for reasonable wage rates and working conditions. These negotiations should give due consideration to our unique operations and enable us to maintain the operating flexibility and efficiency needed to remain competitive. We respect and fulfill the terms of our labor agreements. We also expect union leaders and members to cooperate in fulfilling the terms of such agreements.



Global Workforce Development (cont.)

Promotion from Within

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

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

The average full-time UPS manager has worked for the company 15.3 years.

- In 2006, 13,535 part-time employees advanced to full-time positions.
- 55 percent of our current full-time drivers were once part-time employees.
- 85 percent of our full-time management employees were promoted from non-management positions.
- 56 percent of our vice-president-level employees started in non-management positions.
- 8 of the 12 members of our Management Committee started in non-management positions at UPS.

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

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

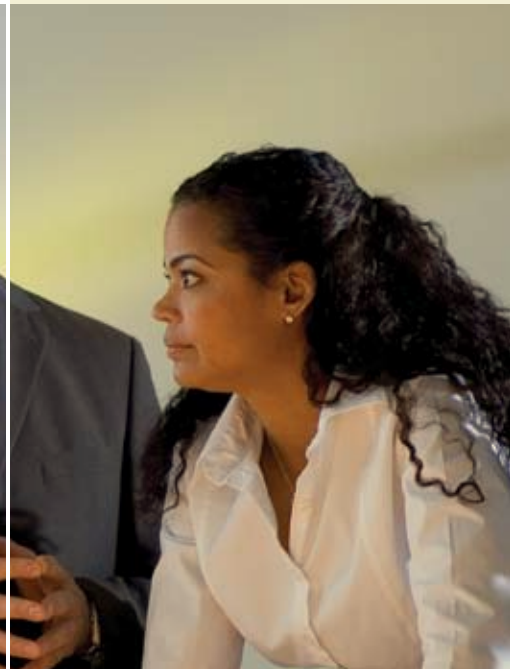


Employee Feedback

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

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

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



Employee Feedback (cont.)

Employee Opinion Survey

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

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

In 2006, the survey was administered globally, with 89 percent of employees participating.

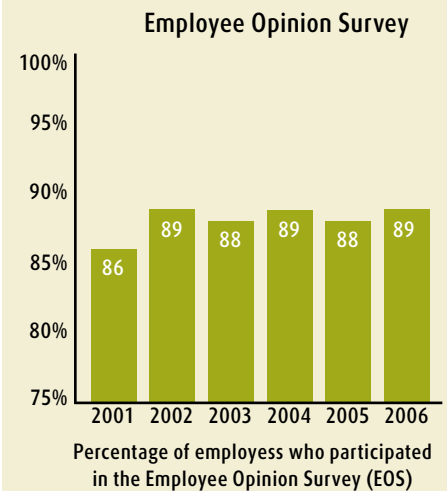
2007 Goal

Increase the global employee participation rate to 95 percent.

Participation in the EOS is completely voluntary. Therefore, our goal of 95 is aspirational in nature — we afford 100 percent of our employees the opportunity to participate in the survey so their opinions are heard and acted upon. During 2006, 89 percent of our employees participated in the survey.

Initiatives:

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

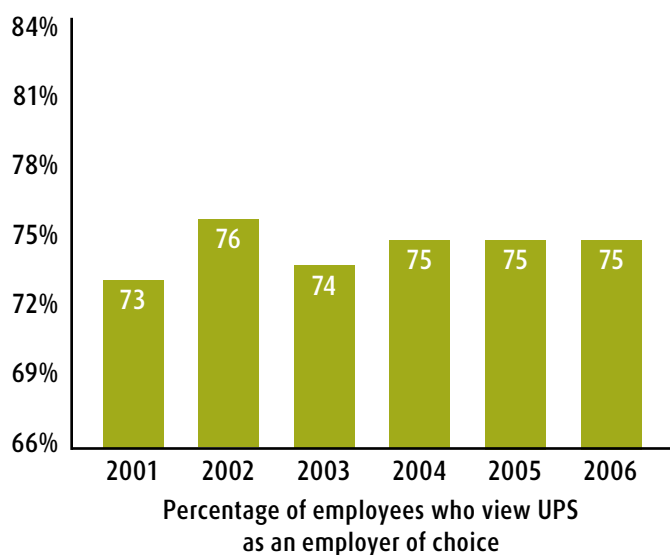


Employee Feedback (cont.)

Employer of Choice Index

The Employer of Choice Index (ECI) is compiled from a subset of 20 questions contained in the Employee Opinion Survey. The ECI looks at concepts, like career opportunities, workplace flexibility initiatives and benefits that affect how we attract, retain and motivate employees. The results are used by senior management to analyze company initiatives. The goal is to use the feedback to develop and implement strategies that continue to make UPS an employer of choice.

KPI Employer of Choice Index



2007 Goal

Achieve an 80 percent favorable rating among our employees.

UPS has implemented several programs to ensure we maintain our status as an employer of choice, including expanded training, renewed focus on career development discussions with all employees and enhanced programs for years of service.



Employee Feedback (cont.)

Initiatives:

- In 2006, a Women's Leadership Development program was initiated to address the attraction, development and retention of women in the workplace. The program seeks to provide connections through networking, mentoring, education and community-based involvement. Initially launched as a pilot, the program will be deployed across the U.S. and Canada in 2007.
- Also during 2006, UPS launched a unique health coaching program called UPS Healthy Connections – Informed Choices to approximately 100,000 employees. This cutting-edge health program provides access to health information, health decision support tools and valuable health resources that empower employees while offering the personalized support of a health professional to those who need it most. As of February 2007, approximately 300,000 U.S.-based employees and their family members are eligible for this program.

Ongoing Initiatives:

- Action plans developed by employee relations committees to address issues identified by employees in the survey
- Annual video message from the Chairman and CEO, which addresses company-wide challenges as well as issues confronting specific functions
- Effective employee communication programs, including world-wide deployment of online employee portal
- Competitive compensation and benefit plans
- Enhanced recognition programs to reward years of employment
- Career development opportunities
- Workplace flexibility initiatives
- New-hire training and job-specific training
- Tuition reimbursement
- Continued benefit for up to 12 months for U.S. military reserve employees called to active duty



Health and Safety

From The UPS Policy Book:

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

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

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

Since our company's beginning in 1907, safety has been a priority. Safety guidelines were developed for the company's bicycle messengers and then for drivers of the Ford Model T. Drivers were given their first defensive driving handbook in 1917.

Even as we continue to increase the level of technological sophistication in our operations, the primary job of our employees is moving nearly 16 million packages and documents each day. You are more likely to find a UPS employee driving a package car, or sorting packages in a bustling hub, than behind a desk. Because of the physical nature of many of our jobs, safety is a significant challenge and a top priority. Therefore, we dedicate significant resources to train our people to avoid injuries and accidents.



Health and Safety (cont.)

Training and Operations

Training

Training is the cornerstone of safety in UPS's global operations. We invest more than US\$73 million per year on safety training and nearly 1.7 million hours of safety training for employees. Each year 54 different types of formal UPS safety training courses are taught worldwide.

Operations

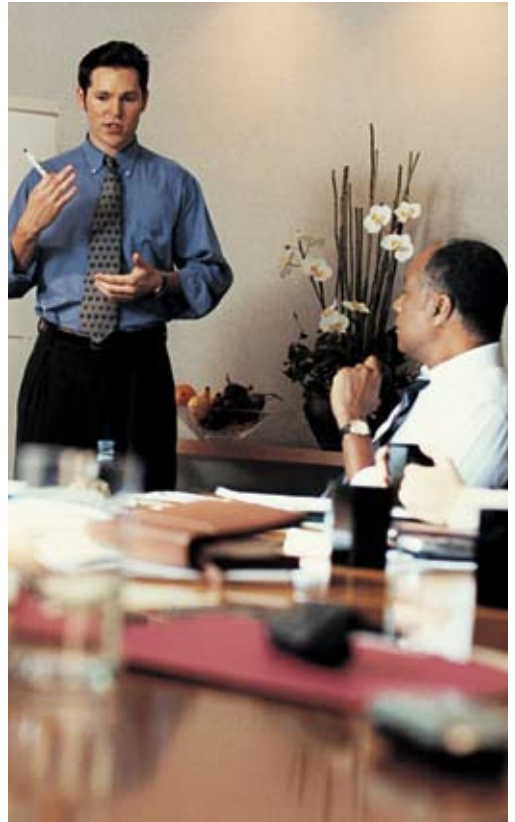
In UPS operations, there are two primary safety measurements: lost-time injuries and automotive accident frequency.

Positions in our operations — sorting, loading and delivering packages — involve physical labor. To prevent injuries, we provide comprehensive safety training to employees worldwide to equip them with the knowledge, methods and tools necessary to work safely.

Despite our safety initiatives, controls and procedures, there were nine fatal employee automotive accidents globally in 2006. All accidents and injuries require a substantive investigation to identify the root cause. The results of those investigations are used to examine what can be done to prevent accidents in the future.

Over the past five years, we have invested more than US\$190 million in safety-related initiatives, including enhanced training programs, new equipment and modifications to facilities. Following is an overview of our primary safety initiatives:

- **Comprehensive Health and Safety Process (CHSP):** The CHSP was developed in 1995 to directly involve front-line employees in improving health and safety methods. There are now more than 2,400 CHSP committees at UPS facilities worldwide. The committees consist of union and non-union employees, supported by non-management and management co-chairs, who together conduct facility and equipment audits, perform job hazard and behavior analysis, conduct injury investigations, conduct training and recommend work process changes. Between 1996 and 2006, CHSP helped reduce lost workdays due to injuries by 81 percent.



Health and Safety (cont.)

■ **Facility and Equipment Improvements:** Design improvements have been made by UPS engineers to the company's buildings, vehicles and equipment. Some of these improvements include: the widening of the door in our delivery vehicles; the user-friendly design of hand trucks and handheld computers used by drivers; the layout of new buildings to include "no lift" work areas where packages are pushed or pulled instead of lifted. Some of these ideas came directly from drivers and package handlers through focus group meetings and CHSP committees.

■ **Safe Driving:** UPS drivers are among the safest on the road. Our 117,000 drivers worldwide log more than 2 billion miles a year and average less than one accident per million miles driven. We have certified management trainers who educate drivers on an annual and periodic basis. UPS tractor-trailer drivers receive 80 hours of classroom and on-the-road training before operating equipment. Delivery drivers undergo an intensive six-day training program, including 20 hours of behind-the-wheel and classroom training, plus periodic training rides through their evaluation period. UPS drivers globally receive annual safety training rides and follow-up training in the event of an avoidable accident.

The foundation of our safe-driving platform is space and visibility training that focuses on the Five Seeing Habits — proven safe-driving methods that focus on avoiding potential accident scenarios versus reacting to them.

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

On February 27, 2006, UPS driver Marty Peters celebrated his 60th anniversary with UPS. Only two people in UPS history worked 60 years or longer. Jim Casey, the man who founded UPS at the age of 19 in 1907, worked until his death in 1983, and Paul Oberkotter, the company's third CEO, worked 60 years before stepping down.



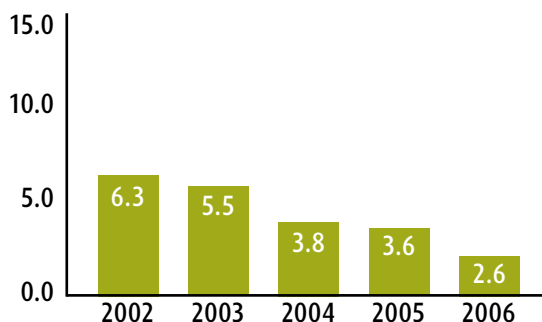
Health and Safety (cont.)

These programs have helped improve our safety results. Nevertheless, this area remains a significant challenge, and we have established aggressive goals for further reducing accidents and injuries.

Lost-Time Injuries per 200,000 Hours

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

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



Excludes recent acquisitions data.

2007 Goal

To reduce lost-time injury frequency globally to 3.2.

We are pleased to report we have achieved this safety goal a year ahead of target. We reduced the number of lost-time injuries per 200,000 hours by 28 percent in 2006. During the same time, the number of UPS Supply Chain Solutions® injuries was reduced by 16 percent, establishing an injury frequency of 0.09 for SCS, which is well below the industry average of 3.3.

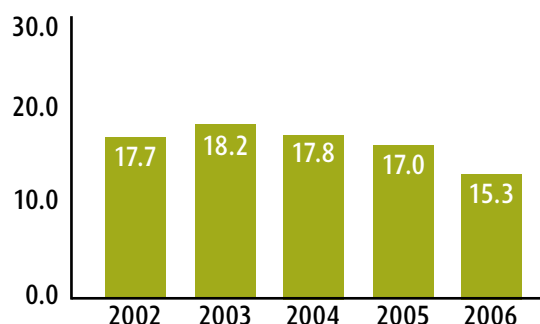


Health and Safety (cont.)

Company-wide, the lost-time injury frequency has decreased 67 percent since 2000.

Automotive Accident Frequency per 100,000 Driver Hours

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



2007 Goal

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

Safety is a way of life at UPS and a critical operational priority. UPS leads the industry in safe-driving records. The company's auto accident frequency was reduced 10 percent in 2006.

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

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



Health and Safety (cont.)

In 2006, the focus on workforce health and safety continued through the implementation of the following initiatives:

- Safety Zones: Provides an appropriate environment for safety training and safety awareness.
- The Employee Relations Index (ERI) annually identifies and gauges the satisfaction of our people. The Health & Safety Factor Index (HSFI) extracts nine questions from the ERI to measure the employee perception of safety within the UPS work environment. In 2006, the HSFI overall rating was 81 percent.
- District Safety Council: District managers serve as chair of the District Safety Council meetings and include participation from staff managers from districts.
- Health & Safety 101: Workshop for CHSP management and non-management co-chairs focused on continued education of health and safety methods.

Ongoing Programs

- Global implementation of rear vision cameras
- Reinforcement and implementation of CHSP in our global operations
- Training on proper work methods
- Implementation of behavior-based safety training
- Automation of package-sorting facilities



Community Engagement

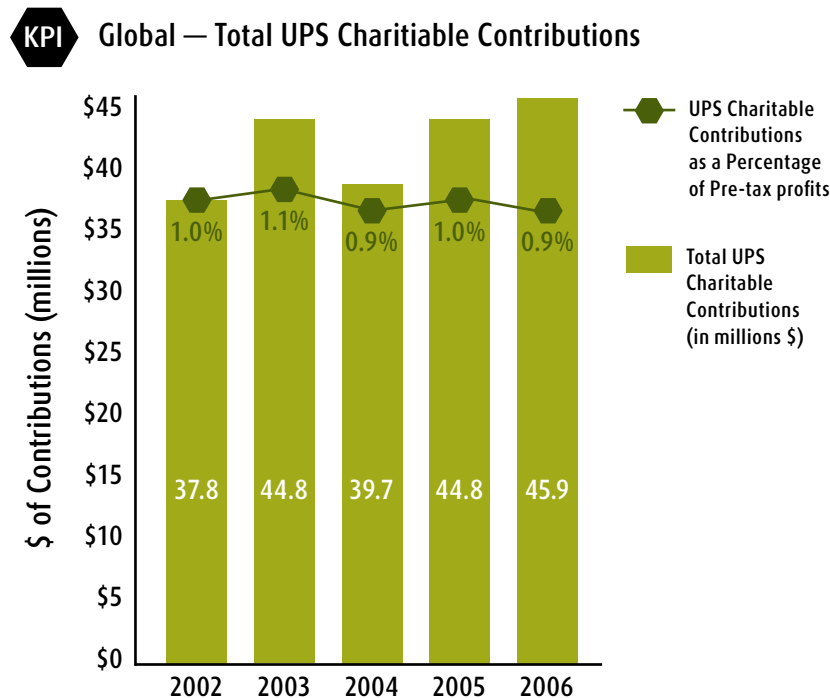
Throughout our history, we've found that we grow by investing not only in our business, but also in the communities we serve. This belief drove us in 1951 to establish The 1907 Foundation, today known as The UPS Foundation, to develop and champion innovative solutions to social problems.

In this section, we've outlined the status of our philanthropic strategies through The UPS Foundation, our Community Internship Program and The UPS Store®.



Community Engagement (cont.)

The UPS Foundation



2007 Goal

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

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

In 2006, The UPS Foundation's global contributions totaled US\$45.9 million.



Community Engagement (cont.)



Global Philanthropy Initiatives

In support of UPS's global philanthropy strategy, in 2006 UPS continued to identify and work with organizations around the world that can effectively manage corporate contributions and deliver results.

- The UPS Global Signature Program is a multiyear, US\$1.5 million partnership between The UPS Foundation and the World Association of Girl Guides and Girl Scouts. This program seeks to increase the recruitment and retention of volunteers, support volunteers through training and self-development, and introduce a system to monitor and appraise volunteer leadership in Malaysia, Mexico and China. In 2006, the WAGGGS partnership expanded programming to South Africa. With a goal of strengthening organizational infrastructure and increasing the volunteer base, the Girl Guide Association of South Africa commenced literacy and other training programs throughout 2006.
- Since launching its global philanthropy program in 2004, The UPS Foundation has invested \$10.8 million in charitable activities beyond the borders of the United States, funding \$4 million in 2006, which represents 8 percent of The UPS Foundation's total charitable giving.

Community Engagement (cont.)

Relief Aid

UPS also supplied essential relief aid in 2006.

- UPS provided US\$1.6 million in aid to those areas devastated by the earthquake in Pakistan. The company donated relief flights involving the transportation of tents, water and shelters.
- UPS also provided humanitarian aid for the Red Bank community in Belize and provided ongoing support for Hurricane Katrina victims by delivering school supplies.



The UPS Neighbor to Neighbor Program

UPS employees around the world collectively donate hundreds of thousands of hours each year to philanthropic causes in their local communities through the UPS Neighbor to Neighbor program, UPS's employee volunteer program.

In 2006, volunteers logged more than 959,000 hours worldwide through this program.



Community Engagement (cont.)

UPS Global Volunteer Week

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

The number of UPS employees participating in Global Volunteer Week has grown from 1,000 to more than 23,000 in just four years.

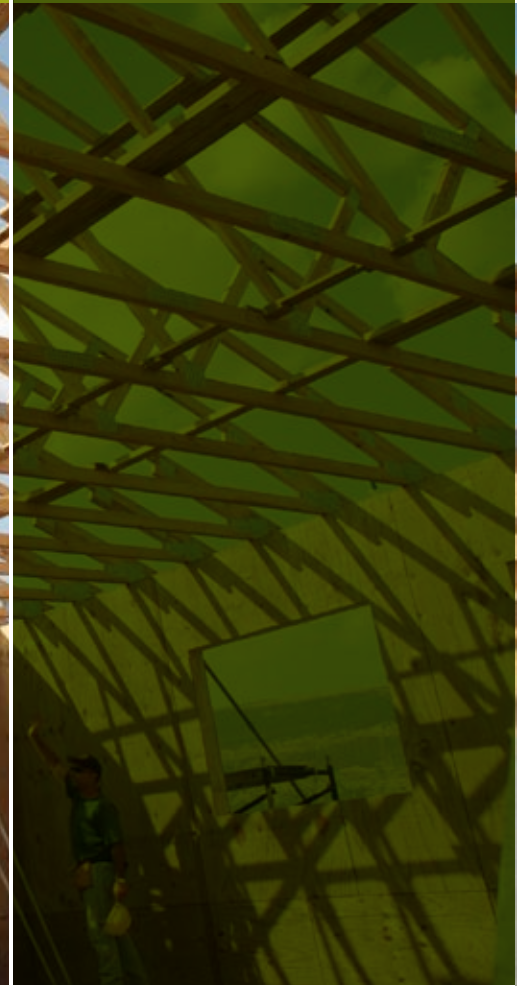


UPS launched its first Global Volunteer Week in 2003. The initial program was so well received by employees that the second annual Global Volunteer Week, in October 2004, included triple the number of volunteers and volunteer hours of the inaugural year. More than 3,500 UPS employees volunteered more than 15,000 hours around the world during the 2004 event.

In 2006, more than 23,000 employees donated approximately 154,000 hours in more than 50 countries around the globe. A sample of activities from around the world:

- In Louisville, Ky., employees built 30 house framings to assist in the post-Hurricane Katrina efforts.
- In Mexico City, employees spent time gardening and planted 150 trees in community parks.
- In the Philippines, employees built 30 durable and affordable housing units for families in Del Carmen and Pampanga.





Connecting India to the World

The UPS Building Program is connecting cultures, languages and people all over the world.

UPS volunteers from around the world, international government officials from Germany, United Kingdom and Estonia, and villagers of Navlakhumbre partnered to construct two state-of-the-art computer labs connecting a small village in Maharashtra to the world. As part of the UPS Building Program, the five-day project resulted in 50 computers, all linked via satellite to provide Internet access to local residents.

UPS Asia Pacific Region Manager Ken Torok, who participated in the event, spoke of the importance of encouraging employees to immerse themselves in the local culture while working side-by-side with residents of the community.





In the last eight years, UPS has constructed computer labs in remote villages in Poland, Mexico and China.



"The UPS Building Program is part of UPS's unique strategy to connect and understand the various cultures and countries it serves around the world," said Ken. "We are proud to help the villagers seek new opportunities in life. The computers provided here today are not just about Internet access. They are about giving these children a window to see the world and new opportunities to attain their dreams."

The Indian government has committed to match UPS's contribution to the village in the form of funding for road improvement, educational support and healthcare.



Community Engagement (cont.)

Community Investment Strategy

To ensure that our contributions meet critical needs, and continue to mirror the values of the company, The UPS Foundation's investment strategy supports three key areas: hunger, literacy and volunteerism. We support these areas through four giving strategies: leadership, operations, sustainability and effective volunteerism.

Giving Focus

Hunger: The UPS Foundation has supported anti-hunger organizations through our Prepared and Perishable Food Rescue Initiative since 1989 and has invested more than US\$18.7 million to build the capacity of local organizations throughout the United States. UPS investments have helped provide more than 250 million pounds of food through hundreds of local organizations.

The UPS Foundation has also launched a new focus on hunger called *The UPS Foundation National Collaboration to Reduce Hunger and Improve Nutrition*. This national grant-making program centers on helping national, regional, state and local organizations work to reduce obesity and improve the nutrition of hungry people in our communities.

Literacy: A long-time supporter of adult and family literacy programs, The UPS Foundation seeks to build stronger communities by expanding support in the areas of economic and financial literacy.

Volunteerism: The UPS Foundation will continue to assist non-profit organizations to improve their effectiveness in recruiting, training and retaining volunteers.

[Learn more about UPS Volunteerism](#)



Community Engagement (cont.)

Giving Strategies

Leadership: The goal is to improve nonprofit effectiveness through investments that encourage innovation and social entrepreneurship among nonprofit leaders.

Operations: The UPS Foundation will look for opportunities to share UPS's vast expertise in logistics and operational management with the nonprofit community.

Sustainability: The UPS Foundation will support innovative programs that promote the long-term effectiveness and financial stability of nonprofits delivering outstanding services to their communities.

Effective Volunteerism: Help nonprofit organizations improve their ability to deliver services through a more effective use of volunteers.



Community Engagement (cont.)

United Way

UPS supports United Way and its agencies throughout Canada, Mexico, Puerto Rico and the United States.

Our 2006 contribution of US\$59.4 million marked the seventh consecutive year in which UPS was the largest corporate contributor to the United Way. More than 246,000 employees participated in the campaign, pledging US\$51.4 million, and the company contributed approximately US\$8 million.

Community Internship Program

Founded in 1968, the Community Internship Program (CIP) is an intense management training course designed to immerse senior-level executives in the community, exposing them to a variety of social and economic challenges facing today's workforce. While in the program, managers leave their jobs and families to spend a month living and working in one of four CIP sites run by local non-profit agencies. Internship sites are located in New York, N.Y.; Chattanooga, Tenn.; McAllen, Tex., and San Francisco, Calif. Since the program's inception, over 1,360 executives have participated in the program.

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

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

The UPS Store® and Mail Boxes Etc.®

The UPS Store and Mail Boxes Etc. locations together comprise the world's largest franchise network of retail shipping, postal and business service centers. With more than 5,800 The UPS Store and Mail Boxes Etc. locations in 40 countries around the world, we see firsthand the needs of those communities. While many of our stores engage in community activities specific to their location, the following initiatives were executed across a broader number of The UPS Store and Mail Boxes Etc. locations in the United States in 2006.

[Learn more about The UPS Store](#)



Community Engagement (cont.)

Toys for Tots

As a national Toys for Tots sponsor since 2005, The UPS Store® and Mail Boxes Etc.® network has raised more than \$1 million for the Marine Toys for Tots Foundation through corporate contributions and local fund drives. In-store donations stayed within local communities to benefit underprivileged children in those areas.



The “We Deliver Dreams” Foundation

The “We Deliver Dreams” Foundation delivers dreams to children whose lives have been significantly impacted by abuse, neglect, poverty, violence or illness. Dream requests are sponsored by local The UPS Store and Mail Boxes Etc. franchisees. Requests must be for significant, one-time needs of an individual child and must have a personal and direct impact on that child.

The Foundation oversees a network-wide fundraising effort through coin donation boxes placed in The UPS Store and Mail Boxes Etc. locations around the United States. All monies collected through the coin box program go toward funding dreams for children in need. In 2006, the Foundation delivered 15 dreams to children across the United States.



Supplier Diversity

Formally launched in 1992, the UPS Supplier Diversity Program is committed to providing business opportunities to small, minority- and women-owned businesses. In 2006, we awarded more than US\$409 million in contracts to small businesses and over \$285 million to minority- and women-owned businesses through this program.

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



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

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

Once we receive the supplier application and certification, we will review them as quickly as possible and inform potential suppliers of their status.

UPS is an active participant in local and national minority and women's business organizations. The company is active in 36 of the 39 National Minority Supplier Development Council (NMSDC) affiliates and 12 of the 14 chapters of the Women's Business Enterprise National Council (WBENC).

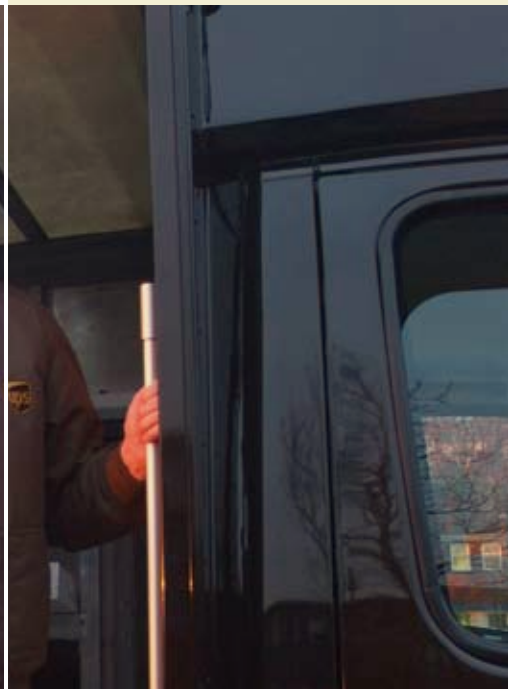
In addition, UPS is a member of the Native American Business Alliance (NABA) and the National Association of Women Business Owners (NAWBO).

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

Conclusion

As our business continues to grow globally, we face many challenges, including preventing workplace injuries and reducing part-time turnover.

However, UPS has been in business for nearly a century because we've backed our words with action and opportunities for employees, customers, suppliers and communities. Our strong culture and values will continue to guide our efforts as we develop plans to address each challenge to provide the most benefit to our stakeholders.



Operating in Unison

2006 UPS Corporate Sustainability Report

Published July 2007



Environmental

Environmental Policy Statement

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

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



Greening the Supply Chain

As the world's largest package delivery company, UPS delivers 15.6 million packages daily.

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

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

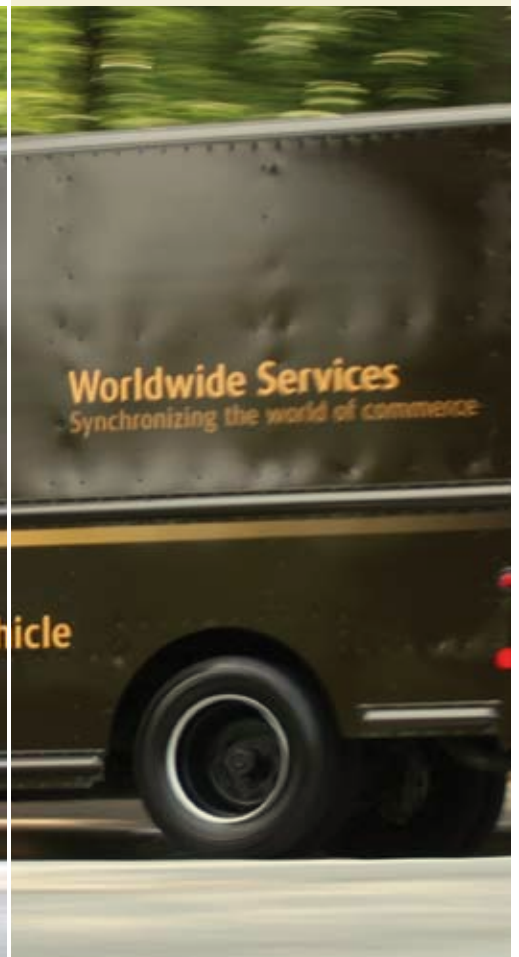
With more than 94,500 vehicles, 2,909 facilities and as the eighth largest airline worldwide, UPS faces significant challenges to reduce our environmental impact. We take those challenges seriously and have identified specific goals for the company. At the same time, we are working to advance new industry technologies to reduce emissions and conserve energy. Most importantly, environmental concerns are a core part of UPS's daily activities and engineering processes.



Fuel Use and Emissions

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

Moving 15.6 million packages around the world each day requires operating large ground and air fleets. Therefore, reducing fuel use and emissions is a constant priority and challenge. Our long-term goal is to reduce our dependence on fossil fuels by improving operational efficiencies and advancing new technologies. That's why we combine a series of best practices that conserve fuel, use technology throughout our air and ground operations, and operate the largest green fleet in the transportation industry.



Fuel Use and Emissions (cont.)

Ground Fleet

UPS currently operates 94,542 ground vehicles worldwide. The company's ground fleet strategy is to take a leadership role in advancing the development of future generations of delivery vehicles that reduce dependence on fossil fuels and significantly reduce fuel consumption and emissions.

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

As of year-end 2006, the company operated 19,647 low-emission vehicles worldwide. That number will continue to rise as older delivery vehicles reach the end of their life cycles and are replaced with newer, more efficient ones.

Managing our Ground Fleet

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

- **Automotive Information System (AIS):** UPS's proprietary Automotive Information System is a sophisticated matrix which notifies mechanics when a specific vehicle should undergo a preventive maintenance inspection. AIS removes the guesswork in planning labor for vehicle repairs, maintaining parts inventory and estimating fuel usage, allowing engineers to monitor trends and constantly refine methods and specifications.
- **Preventive Maintenance Inspections:** UPS keeps its delivery fleet in top condition through preventive maintenance inspections (PMIs). Our mechanics perform a PMI based on information in our Automotive Information System, such as miles driven, days of service and engine type for each vehicle. The PMI process is tailored to each individual vehicle, and it ensures peak performance through better fuel economy and lower emissions. In fact, our PMI process has been so effective that other companies and government agencies have consulted with UPS's automotive engineers and adopted some of our maintenance procedures.



Fuel Use and Emissions (cont.)



Alternative-Fuel Fleet Overview

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

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

We have invested roughly US\$15 million to deploy significant numbers of alternative-fuel vehicles in our fleet. While maintaining our current alternative fuel vehicles, we are also working with manufacturers, government agencies and non-profit organizations to advance new fuel technologies.

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



Fuel Use and Emissions (cont.)

Last year, we reported that UPS's alternative-fuel fleet included about 1,500 vehicles. Today, that number is 1,323. The reduction is due to the retirement of Compressed Natural Gas (CNG) vehicles in the U.S. that were converted from diesel in the 1980s. As these vehicles are retired, they are being replaced with new diesel vehicles that are more fuel-efficient and produce fewer emissions than the retrofitted CNG technology from the 1980s.

In 2006, UPS's global fleet of alternative-fuel vehicles traveled nearly 18 million miles making deliveries around the world. Since just 2000, our alternative-fuel fleet has traveled more than 126 million miles. While our green fleet dates back to the 1930s, UPS did not isolate alternative-fuel miles driven prior to 2000.

Alternative-Fuel Fleet

Fuel-Cell Vehicles: UPS was the first company to deploy a medium-duty hydrogen-powered vehicle in North America. Our research began in October 2003, when UPS deployed its first DaimlerChrysler Sprinter fuel-cell vehicle in Stuttgart, Germany. This vehicle was retired in 2004, and we deployed two additional fuel-cell vehicles with more advanced technology later that year. These two vehicles operated in Ontario, Calif., and Ann Arbor, Mich., through April 2007. Fuel cells work by converting energy into electricity without combustion. Water vapor and heat are the only emissions produced.

Hybrid Electric Vehicles: UPS was the first package delivery company to introduce a hybrid electric vehicle (HEV) into daily operations with a research program that began in 1998. In 2000, we deployed a hybrid electric vehicle in Huntsville, Ala. As part of this test, UPS successfully used the energy stored in this vehicle to provide 80 percent of the electricity needed to power the local sorting facility's conveyor system and lights. UPS deployed a second-generation HEV that operated in Kalamazoo, Mich., for several months during 2004.

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



Fuel Use and Emissions (cont.)

In 2006, we announced the purchase of 50 next-generation HEVs. Those vehicles promise a 45 percent improvement in fuel economy over the vehicles they are replacing and collectively will save 44,000 gallons of fuel annually. This will reduce CO₂ emissions by 457 metric tonnes each year.

[*Learn more about UPS HEV trucks*](#)

Hydraulic Hybrid Vehicles: During 2006, the U.S. Environmental Protection Agency and others launched the world's first full-series hydraulic hybrid delivery truck. UPS currently is testing this technology, which achieved a 60-70 percent improvement in fuel economy during lab tests.

[*Learn more about hydraulic hybrid technology*](#)

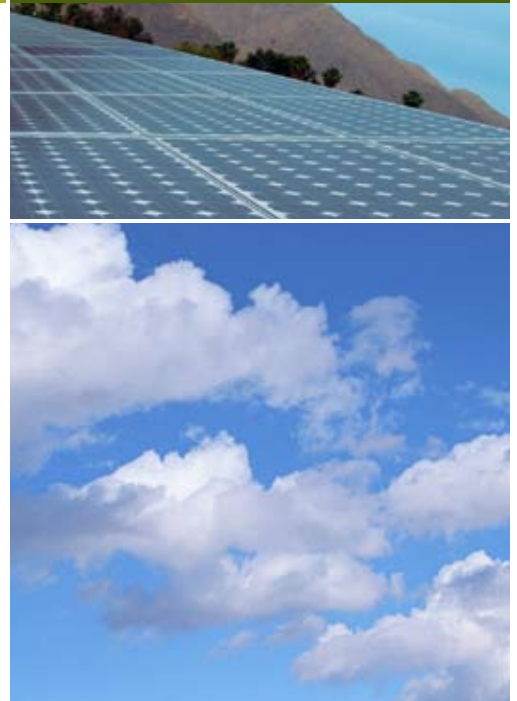
Compressed Natural Gas (CNG) Vehicles: UPS has one of the largest private fleets of CNG vehicles in the U.S with 707 operating in the United States, Germany, France and Brazil.

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

Propane-Powered Vehicles: We operate 588 propane delivery vehicles in Canada and in Mexico. Propane vehicles emit about one-third fewer reactive organic gases than gasoline-fueled vehicles. Nitrogen oxide and carbon monoxide emissions are also 20 percent and 60 percent less than conventional vehicles.

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

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



Fuel Use and Emissions (cont.)

Technology

As the world's largest package delivery company, fuel consumption is a necessary business expense that accounts for an average of 5.6 percent of UPS's operating revenue. From both a business and environmental perspective, UPS is committed to developing and testing innovative solutions and investing in technologies that minimize fuel consumption and reduce our impact on the environment.

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

On the Ground

UPS Package Routing Technology

Effectively and efficiently delivering 15.6 million packages and documents a day takes a lot of planning. UPS has implemented several tools and procedures, called Package Flow Technologies, to optimize delivery routes. PFT includes a suite of hardware and software designed, in part, to help UPS plan the most effective route — before a package is even loaded into a delivery vehicle. The goal is to route vehicles more efficiently to drive fewer miles.

DIAD — UPS's Hand-Held Computer

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

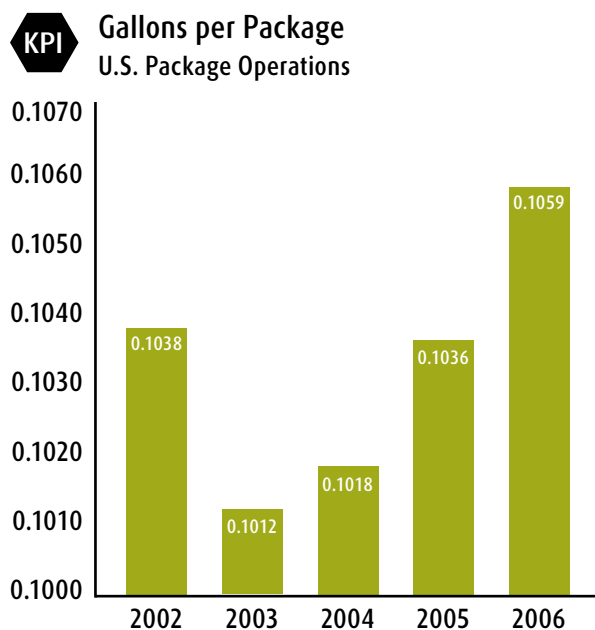
This technology includes internally-developed software that enables the driver to “see” each scheduled package delivery in the exact order needed to meet all the service requirements in the most effective way, reducing the number of miles driven and fuel consumption. The DIAD, used in 49 countries, also eliminates the use of 84 million sheets of paper, saving 7,308 trees per year.



Fuel Use and Emissions (cont.)

Fuel Consumption

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



2007 Goal

Decrease gallons per package to 0.1008.

During 2006, fuel consumption per package increased 2.2 percent. UPS's fuel use increased due to several factors:

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



Fuel Use and Emissions (cont.)

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

Ongoing Initiatives:

- Continuing to enhance our fleet with a “rolling laboratory” philosophy as a way to learn about how new technologies and advancements can be adapted for use in a large delivery fleet.
 - In 2006, UPS, the U.S. Environmental Protection Agency and others launched and began testing the world’s first hydraulic hybrid urban delivery vehicle.
 - Additionally, we announced the purchase of 50 next-generation hybrid electric delivery vehicles that are collectively expected to save 44,000 gallons of fuel annually.
- Continuing the roll-out of Package Flow Technology, which features advanced geographic tools that allow us to analyze and edit dispatch plans to optimize delivery routes and times. During 2006, this technology enabled UPS to shave 28.5 million miles off of already efficient delivery routes, reducing fuel use and emissions. As of April 2007, UPS was 77 percent implemented in the U.S.
- Participating in the U.S. EPA’s SmartWay Transport Partnership, an initiative to reduce fuel use and emissions by shippers and carriers. UPS is a charter partner of this group and uses the SmartWay calculator tool to determine the CO₂ reductions we have achieved through our fuel conservation initiatives. In 2006, UPS showed a reduction of 1,877,983 metric tonnes of CO₂ as compared to a fleet that employs no emission reduction strategies.



Fuel Use and Emissions (cont.)

In the Air

Lido Flight Planning System

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

Automatic Dependent Surveillance–Broadcast (ADS-B)

UPS also is testing Automatic Dependent Surveillance–Broadcast (ADS-B) technology on all our 757 and 767 aircraft. Among other things, this technology allows UPS to proactively manage aircraft departure queues, which reduces fuel use and emissions. UPS is the world's only fleet equipped with this advanced technology.

Continuous Descent Approach Landing Procedures

UPS has achieved significant fuel, noise and emissions reductions by using continuous descent approach (CDA) when landing at airports rather than stepping down altitudes.

- Rather than descend in a typical stair-step fashion, the aircraft descends at a continuous 3-degree slope under idle power. At 10 miles from the runway, the aircraft is powered up for landing.
- This cuts emissions by 3 percent between cruise altitude and runway, and by 34 percent below 3,000 feet.

UPS Technology Helps Customers Be More Sustainable

UPS's commitment to network optimization and energy conservation goes beyond its own network. UPS makes its fuel-saving logistics expertise available to other companies through UPS Logistics Technologies. Currently, more than 110,000 vehicles are using this technology, which is shaving 645 million miles off of driving routes and eliminating roughly 700,000 metric tonnes of CO₂ annually.

[Learn more about UPS Logistics Technologies](#)



Fuel Use and Emissions (cont.)

Air Fleet

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

We operate the eighth largest airline in the world, and we continue to lead the industry in deploying noise and emission reduction technologies. Our strategy for purchasing aircraft focuses on managing operational costs and ensuring landing rights around the world by flying a quiet, fuel-efficient and low-emission fleet.

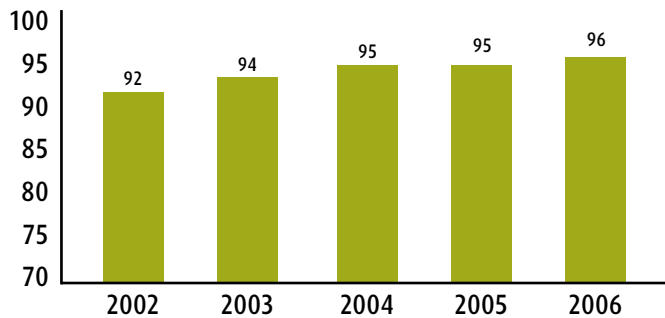
Compliance with ICAO's Noise and Emission Regulations

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



Fuel Use and Emissions (cont.)

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



2007 Goal

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

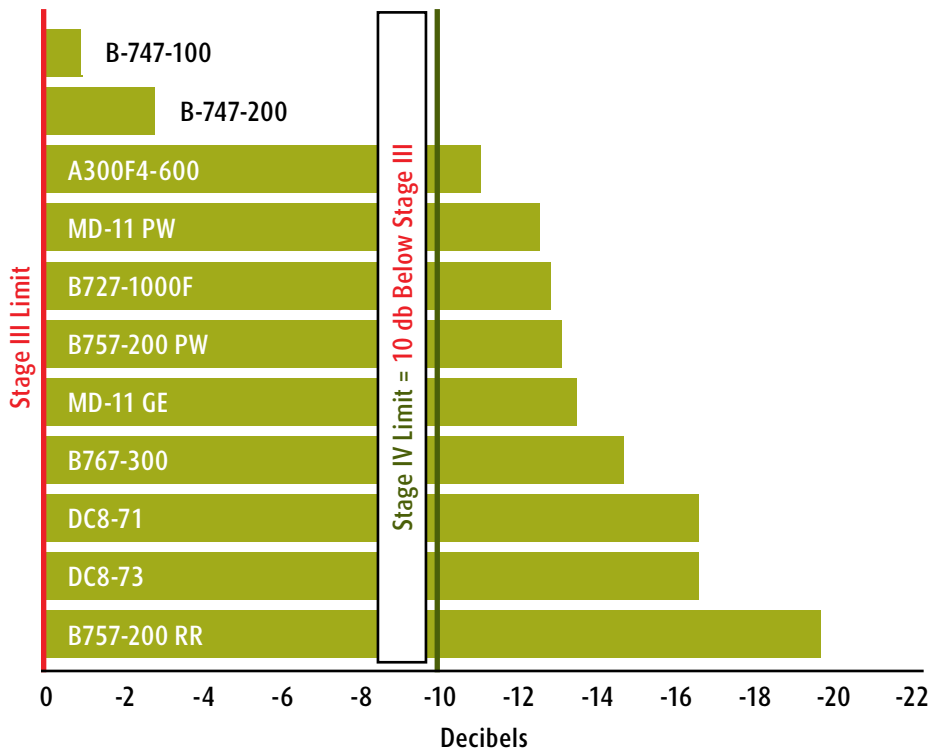
All new UPS aircraft must meet ICAO's Stage IV noise guidelines, which call for a 10 decibel reduction over Stage III. UPS is voluntarily applying this standard to its entire fleet — all UPS aircraft will meet Stage IV guidelines.



Fuel Use and Emissions (cont.)

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

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

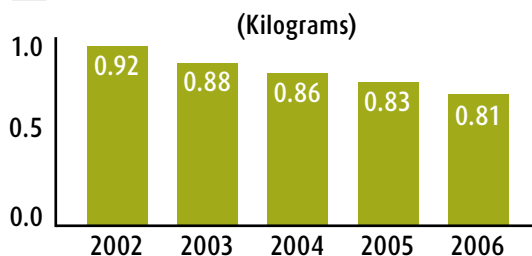


Fuel Use and Emissions (cont.)

Aircraft Emissions

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

KPI Global — Aircraft Emissions per Payload Capacity



2007 Goal

Improve aircraft emissions per payload capacity to 0.77.

In 2006, UPS had 0.81 kilograms of aircraft emissions per 1,000 kilograms of payload capacity — an improvement of 6 percent over 2005.

The positive trend reflects the increasing role that modern, efficient aircraft play in our airline operations.

Reducing Fuel Use Throughout the UPS Airlines

UPS Airlines has a designated fuel conservation manager who continually monitors fuel use throughout the airline. As a result, UPS is:

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



Fuel Use and Emissions (cont.)

Ongoing Initiatives:

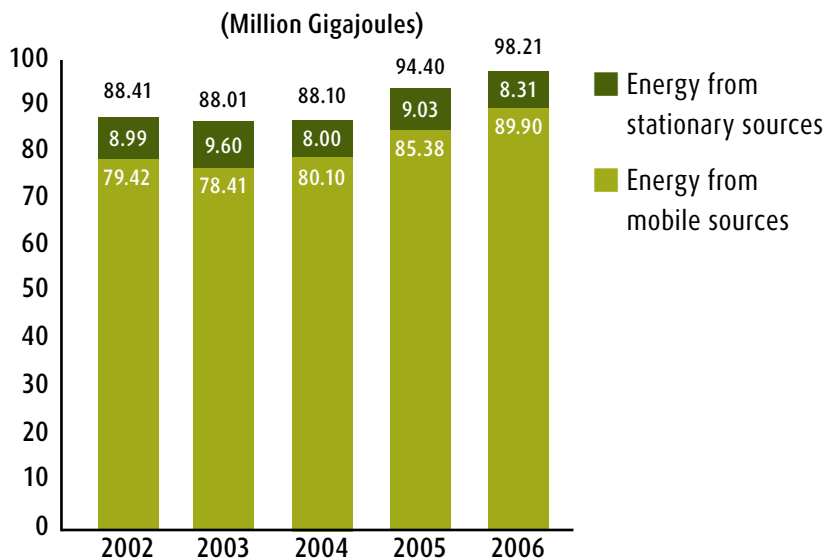
- In 2006, UPS retired five older aircraft, including one 747-100, three 727-100s and one DC-8-71. These were replaced with 11 new highly-efficient aircraft, including six A300-600s and five MD-11s.
- During 2006, UPS continued to work with the FAA to gain approval to use Continuous Descent Approach (CDA) when landing at airports. Using CDA, aircraft glide down, rather than stepping down altitudes. This reduces noise, burns less fuel and creates fewer emissions.
- UPS Airlines continues to use a unique flight planning system, which calculates the most efficient route between two points, based on weather, winds, terrain and other factors.
- In coordination with the Federal Aviation Administration, UPS is testing Automatic Dependent Surveillance — Broadcast (ADS-B) technology on all 107 of our 757 and 767 aircraft. Among other things, this technology allows UPS to proactively manage aircraft departure queues, which reduces fuel use and emissions. UPS is the world's only fleet equipped with this advanced technology.



Energy

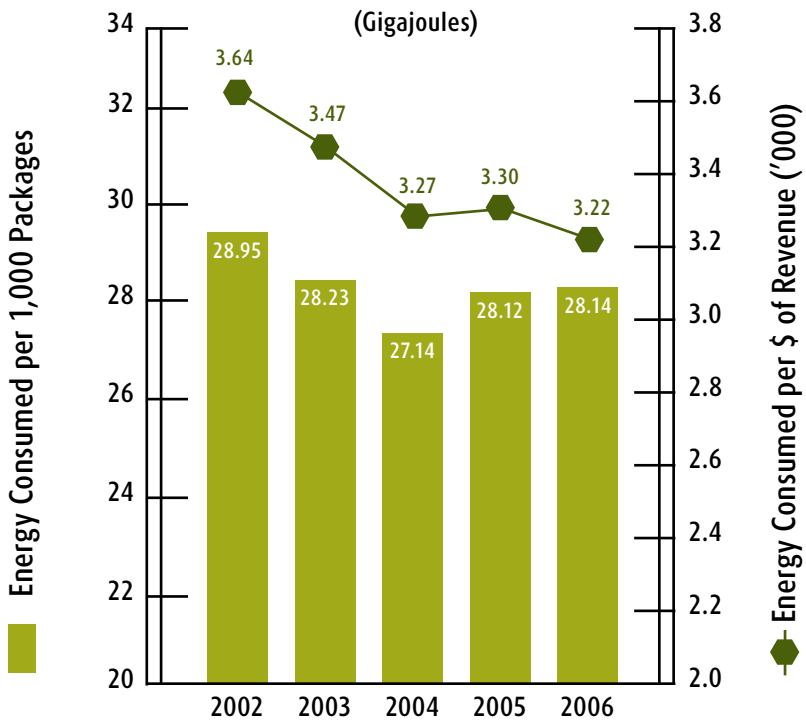
UPS takes specific steps to reduce energy use in our 2,909 facilities worldwide. Our energy consumption in the United States is comprised of stationary sources of energy (electricity, natural gas, propane and heating oil) and mobile sources of energy (gasoline, diesel, Jet A and compressed natural gas).

KPI Energy Consumption — Absolute U.S. Package Operations



Energy (cont.)

KPI Energy Consumption — Normalized U.S. Package Operations



2007 Goal: Pending

In 2006, our total energy consumption increased by 4 percent. Energy consumption per package also increased by .07 percent.

UPS's energy use increased due to several factors:

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

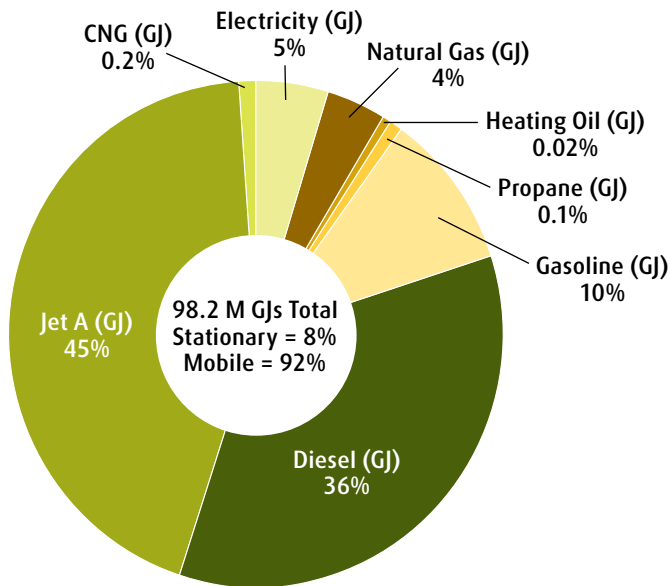
Our fuel conservation strategies are critical to our efforts to operate our business as efficiently and environmentally responsible as possible.



Energy (cont.)

UPS continues to evaluate the collective impact of our multiple fuel and energy initiatives to determine a goal.

2006 Total Energy Consumption by Type U.S. Package Operations



■ Electricity (Gj)
 ■ Natural Gas (Gj)
 ■ Heating Oil (Gj)
 ■ Propane (Gj)
 ■ Gasoline (Gj)
 ■ Diesel (Gj)
 ■ Jet A (Gj)
 ■ CNG (Gj)

Ongoing Infrastructural Initiatives:

- **Package Flow Technology:** Continue to rollout technology to U.S. facilities designed to improve delivery efficiency and energy savings.
- **Solar:** Solar power provides 70 percent of the power needs at our Palm Springs, Calif., sorting facility. Since its deployment in July 2003, the 100 kilowatt solar panel initiative has produced over 523,000 kilowatt hours of energy, reducing our CO₂ output by 1 million pounds. This is the equivalent of removing 99 passenger cars from the road for a year.
- Additionally, UPS has several facilities in California currently using “green” power as part of their electricity supply. This power comes from biomass sources. Biomass refers to a waste-to-energy process and can take the form of converting landfill gas, human and animal waste or agricultural waste to energy.



Energy (cont.)

Ongoing Facility Initiatives:

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

Ongoing Recycling and Energy Initiatives:

- UPS recycling initiatives impact the energy consumption of our suppliers. In 2006, UPS recycled 36,800 tons of solid waste materials including metals, plastics, paper, corrugated materials, pallets and wood waste.
- Additionally, in 2006, UPS purchased 36,300 tons of materials with recycled content. Solid waste recycling and purchasing materials with recycled content saves energy because it takes less energy to make products from recycled materials than producing them from raw materials. These purchases have the equivalent energy savings of removing 6,984 passenger cars from the road for a year.

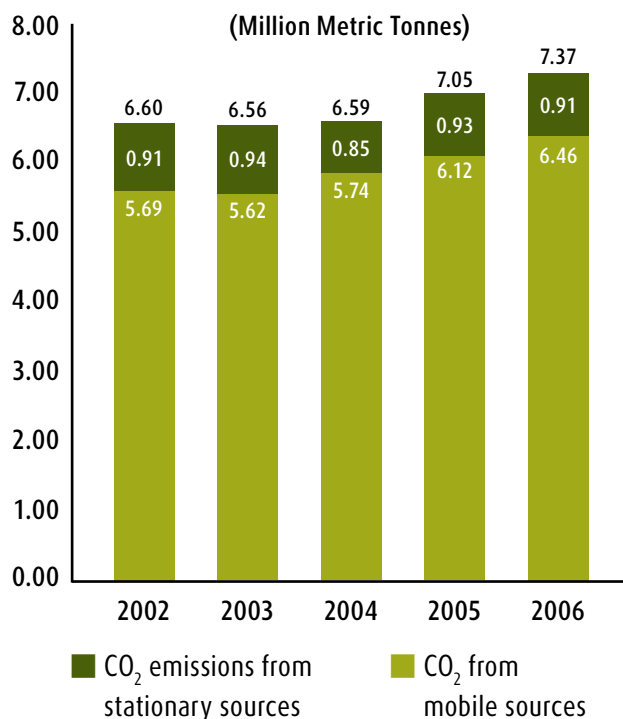


Greenhouse Gas Emissions

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

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

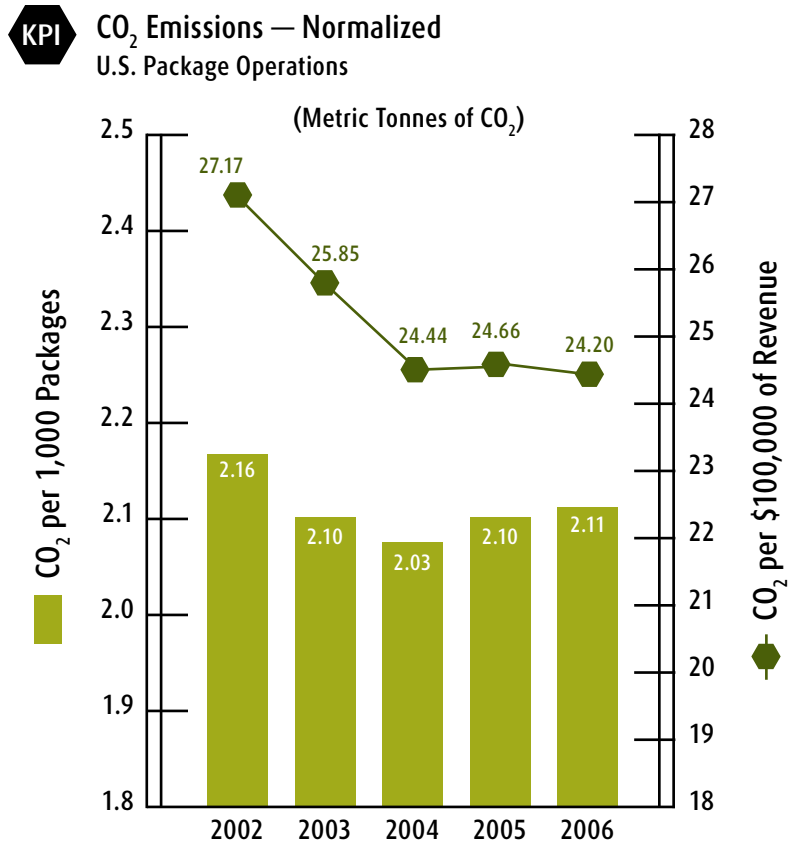
KPI CO₂ Emissions — Absolute — Mobile vs. Stationary Sources U.S. Package Operations



UPS's CO₂ emissions increased 6.6 percent due to growth in our ground and air delivery volume.



Greenhouse Gas Emissions (cont.)



2007 Goal: Pending

In 2006, UPS's CO₂ efficiency decreased .5 percent. We produced .01 metric tonnes (60 kilograms) more CO₂ emissions per 1,000 packages delivered than we did in 2005.

UPS's CO₂ efficiency decreased due to several factors:

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



Greenhouse Gas Emissions (cont.)

Initiatives:

- In 2006, UPS purchased green power as part of the electricity supply at several California facilities. This power comes from biomass sources, which refers to a waste-to-energy process and can take the form of converting landfill gas, human and animal waste or agricultural waste to energy.
- In 2006, we recycled 36,800 tons of solid waste materials including metals, plastics, paper, corrugated materials, pallets and wood waste. Solid waste prevention reduces methane, which contributes to greenhouse gas effects. Additionally, in 2006, we purchased 36,300 tons of materials with recycled content. This creates and maintains demand for products that have a positive impact on the environment. It takes less energy to make products from recycled materials than to produce them from raw materials. This has the equivalent impact of reducing CO₂ by 2,367 metric tonnes.

Ongoing Initiatives:

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



Recycling and Waste Management

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

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

Recycling and Source Reduction

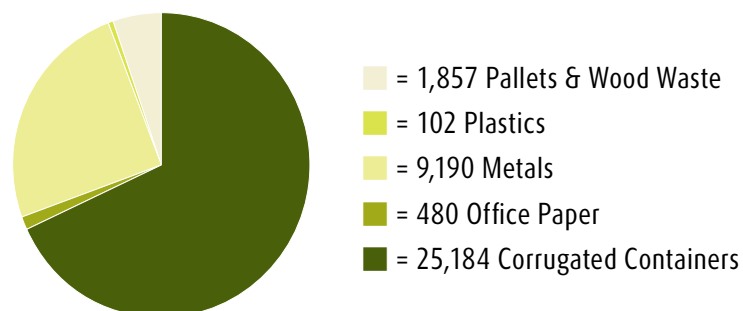
UPS currently collects solid waste data on 1,550 of our U.S. facilities. Solid waste refers to normal trash such as paper, cardboard and plastic that is commonly landfilled. In 2006, these facilities generated 104,550 tons of solid waste and an additional 36,800 tons were recycled.

Solid Waste Recycling

In 2006, we recycled 36,800 tons of solid waste materials including metals, plastics, paper, corrugated materials, pallets and wood waste. Solid waste prevention reduces methane, which contributes to greenhouse gas effects.

2006 Solid Waste Recycling

U.S. Package and Supply Chain and Freight



Recycling and Waste Management (cont.)

Purchasing Products That Contain Recycled Materials

Over the years, UPS has increased its purchases of materials with recycled content. In 2006, we purchased 36,300 tons of these materials, which creates and maintains demand for products that have a positive impact on the environment.

Electronic Equipment Recycling

Computers and other electronic equipment contain toxic chemicals and plastics that must be properly addressed at the end of a product's lifecycle. In 2006, UPS recycled 2.7 million pounds of electronic equipment from our own operations. Since the program began in 2000, UPS has recycled 19.7 million pounds.

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

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

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



Recycling and Waste Management (cont.)

Reusable Bags

To date, we have used more than 5.42 million reusable bags in the U.S. and Germany to bundle and sort small packages within our system. Each reusable bag eliminates the need for more than 600 plastic bags.

Since the program's beginning in 1995, our reusable bags have prevented more than 41,400 tons of plastic from entering landfills. In 2006, we purchased 975,000 additional reusable bags. This will reduce the amount of plastic bags landfilled by 5,070 tons.

Responsible Packaging

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

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

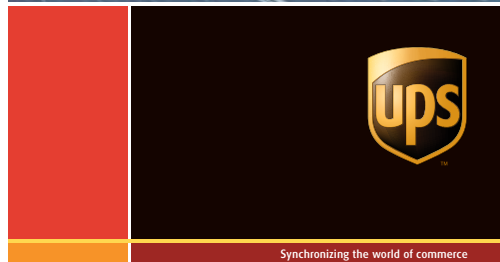
Additionally, The UPS Store® locations have an ongoing effort to encourage consumers to bring in foam packing peanuts to be reused and recycled.

Battery Recycling

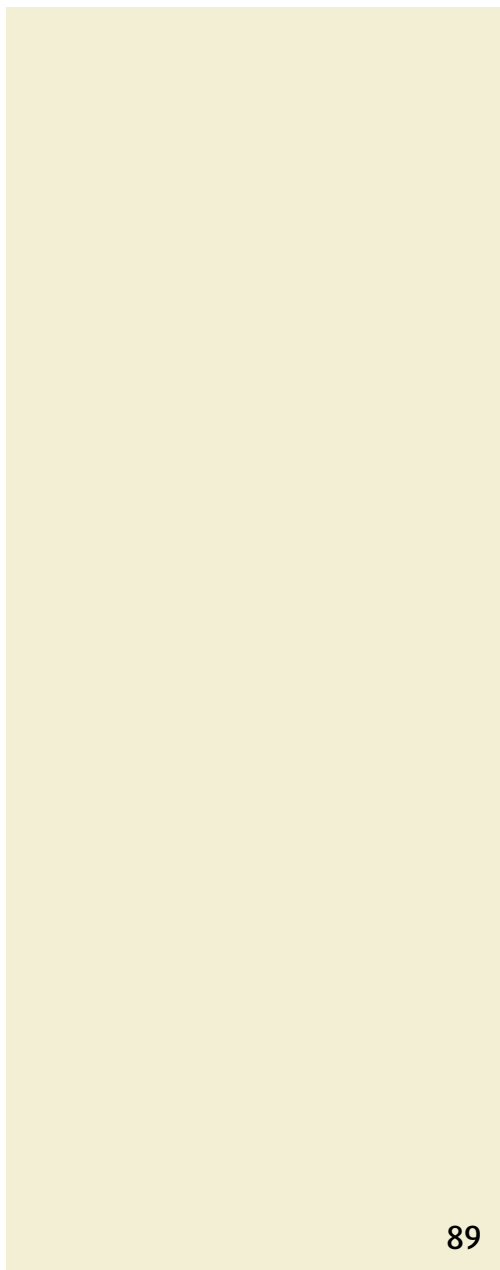
Through its participation in the Rechargeable Battery Recycling Corporation (RBRC), UPS recycled 18,525 pounds of batteries in 2006. These batteries include nickel cadmium, nickel metal hydride, lithium ion and small-sealed lead acid.

Corporate Office Recycling Program

In 2006, 60 percent of waste produced by our corporate office was recycled, including paper, cardboard, lamps and ballasts. In 2006, UPS recycled wastes at a rate of 125 pounds per person at this location.



Express Envelope



Recycling and Waste Management (cont.)

Hazardous and Non-hazardous Wastes

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

Non-hazardous Wastes

The vast majority of wastes from aircraft, vehicles and facility maintenance are managed as non-hazardous wastes. These wastes, which are disposed of or recycled through many vendors, represent approximately 90 percent of the combined hazardous and non-hazardous wastes. Our responsibility for these wastes includes ensuring that wastes are properly disposed of or recycled.

Used oil is recycled or used for energy recovery.

We reuse antifreeze until it is spent, and then it is either recycled or properly disposed.

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

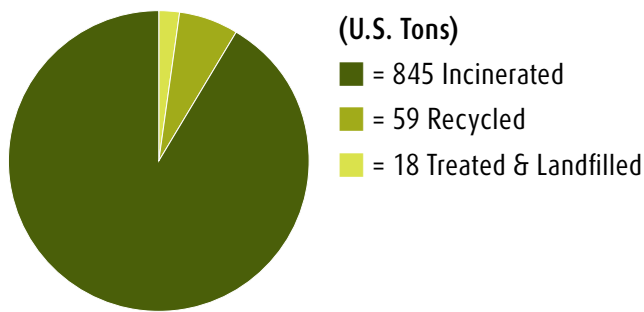
Hazardous Wastes

Only 10 percent of our wastes are managed as hazardous wastes. Hazardous wastes are managed through select vendors to ensure responsible disposal. We audit our vendors with third-party consultants on a regular basis to ensure compliance and proper management of wastes. In 2006, UPS's operating facilities in the U.S. generated 922 tons of hazardous waste.



Recycling and Waste Management (cont.)

KPI 2006 Hazardous Waste Management Methods U.S. Package and Supply Chain and Freight



2007 Goals

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

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



Recycling and Waste Management (cont.)

Water Consumption and Conservation

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

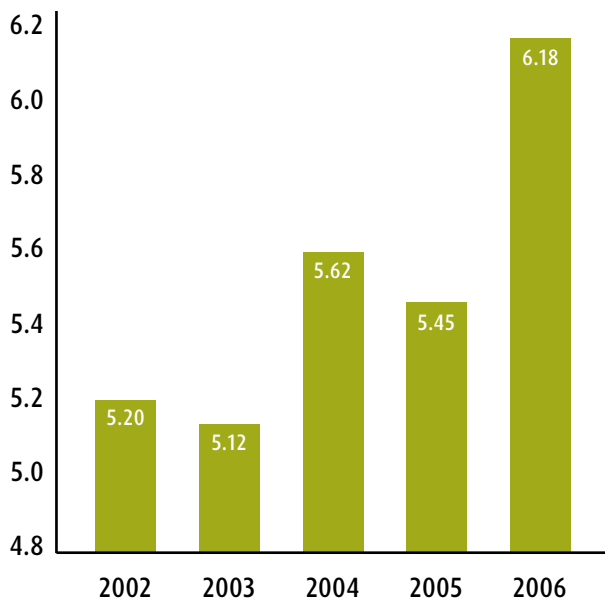
UPS consumes more than 1.6 billion gallons of water each year in its facilities, maintenance operations and vehicle-washing operations. We are committed to researching and implementing conservation initiatives.



Water Consumption — Absolute

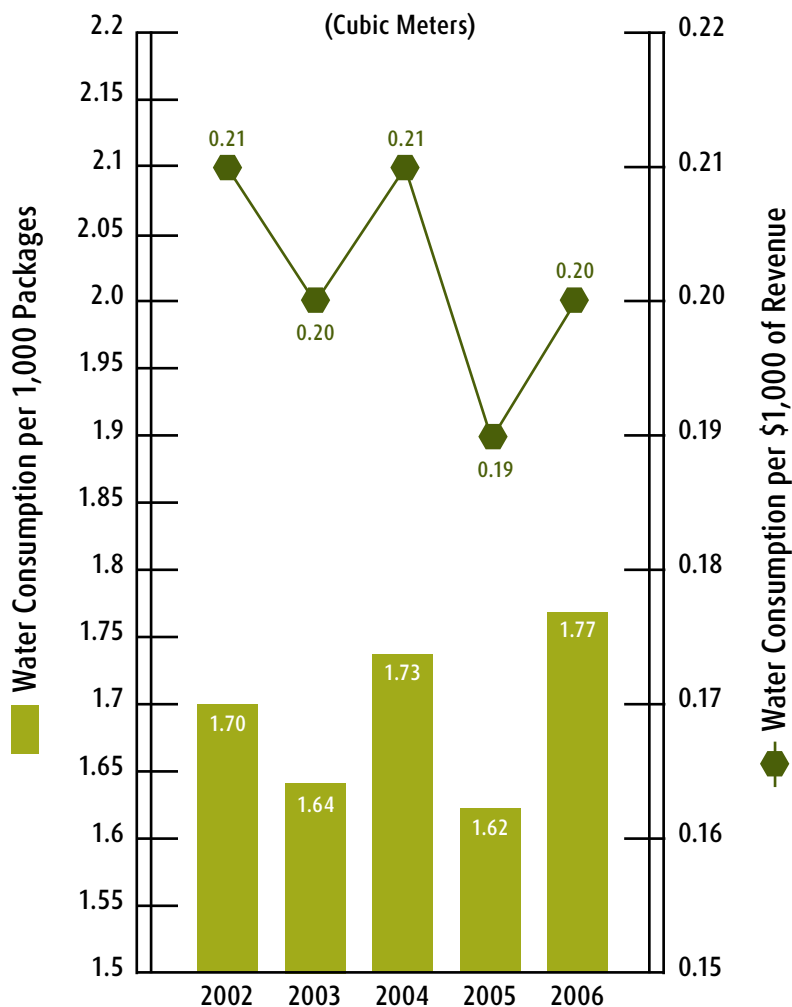
U.S. Package Operations and Supply Chain and Freight

(Million Cubic Meters)



Recycling and Waste Management (cont.)

KPI Water Consumption — Normalized U.S. Package Operations and Supply Chain and Freight



2007 Goal: Pending

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

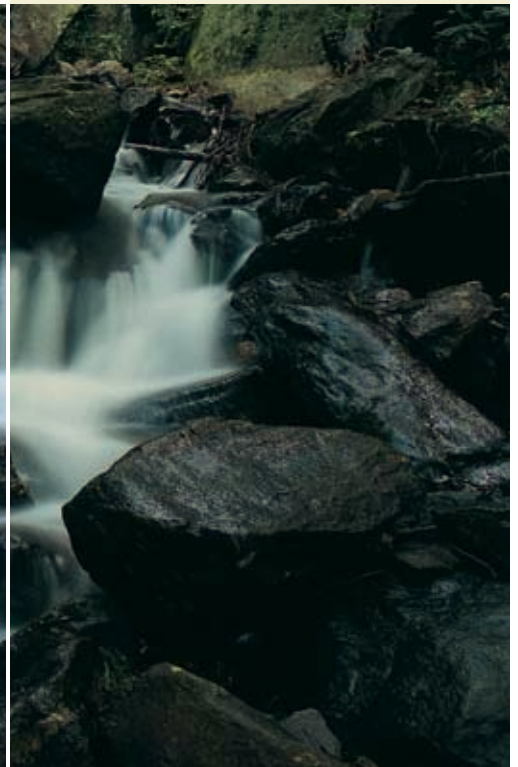
Water consumption increased in 2006. This is due, in part, to including additional facilities from UPS Supply Chain and Freight.



Recycling and Waste Management (cont.)

Ongoing Initiatives:

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



Environmental Management Systems

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

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

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

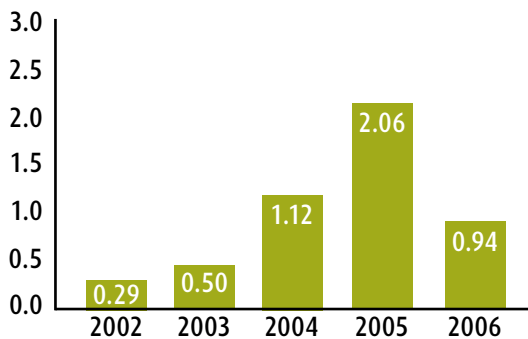


Environmental Management Systems (cont.)

Agency Environmental Inspections

In 2006, U.S. federal and state environmental agencies conducted 541 inspections at UPS facilities in the United States. Nine of those inspections resulted in penalties, totaling US\$8,950. Additionally during 2006, UPS Supply Chain Solutions® and Freight reported three penalties totaling US\$3,820. This measurement is a snapshot of our past performance. The number of inspections is controlled by federal and state agencies.

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



2007 Goal

This measurement is a lagging indicator. No goal intended. In 2006, UPS penalties as a percentage of inspections declined to 0.94%.

Ongoing Initiatives:

- UPS maintains environmental compliance by annually certifying its internal environmental auditors and by continuously focusing on the quality of the environmental programs and standards in its operations.
 - 210 environmental auditors have completed our annual internal certification process.
 - Additionally, 606 employees have achieved fuel management systems certification.



Environmental Management Systems (cont.)

Underground Storage Tanks

To comply with EPA regulations set forth in 1988, UPS removed, replaced or upgraded all of our underground storage tanks two years before the deadline at a cost of more than US\$100 million. Today we have approximately 1,104 total underground gas and diesel tanks in the U.S. These tanks utilize extensive protective measures, including leak-detection systems, redundant spill and overfill protection devices and built-in electrical interlocks and timers.



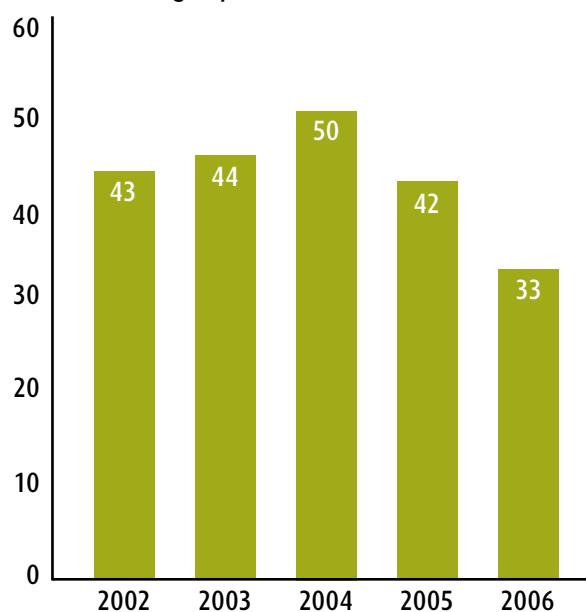
Environmental Management Systems (cont.)

Incidental Spills

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

We have a “zero spill” objective in our operations, which is an aggressive goal for a company delivering 15.6 million packages daily with 94,542 vehicles.

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



2007 Goal

Reduce spills to as close to zero as possible.

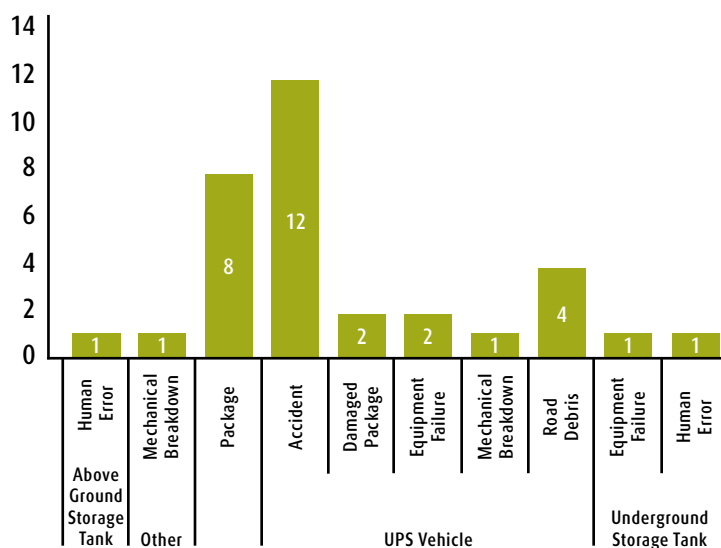
In 2006, reportable spills decreased from 42 to 33 for U.S. Package Operations. Total reportable spill volume decreased to 1,195 gallons. Additionally, UPS Supply Chain Solutions® and Freight had two reportable spills totaling 344 gallons in 2006.

Environmental Management Systems (cont.)

As the chart below indicates, 58 percent of 2006 spills are from vehicle incidents including accidents, equipment failures and road debris.

Breakdown of 2006 Spill Incidents by Type

U.S. Package Operations



Ongoing Initiatives:

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



Environmental Management Systems (cont.)

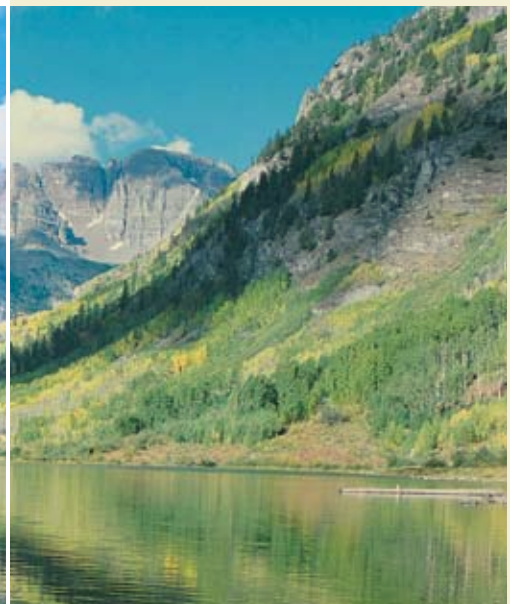
Aircraft Deicing Runoff

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

Conclusion

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

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



Operating in Unison

2006 UPS Corporate Sustainability Report

Published July 2007



The Future



Significant advances in technology, globalization and consumerism over the past several years have ushered in a new age of commerce. To date, the supply chain has generally been managed in a linear fashion, where the movement of goods, information and funds are at best loosely connected. The emerging practice of “synchronizing commerce” is part of a vast marketplace in which goods, information and funds flow with speed, precision, security and efficiency.

UPS helps manage supply chain activities for companies large and small in 150 countries. UPS helps small businesses act like large ones by providing access to a broad portfolio of services, technology and funding. By helping businesses better manage demand and supply cycles, synchronized commerce comes with the promise of creating new and lasting growth opportunities around the world by engaging more people in global trading.

UPS is an integral player in the world of synchronized commerce. We help our customers streamline their operations and integrate their supply chains to better serve their customers, drive efficiencies, eliminate waste and create more sustainable business models. We also have worked with customers to help them design and facilitate their own recycling needs.

We have invested billions of dollars to create an unparalleled worldwide infrastructure of physical assets, technology and people that positions us to capitalize on the opportunities that synchronized global commerce presents.

As a result, we have great confidence in our future prospects. However, in the spirit of constructive dissatisfaction that has driven UPS for nearly a century, we recognize that there is work to be done to become an even more sustainable enterprise in the next century.



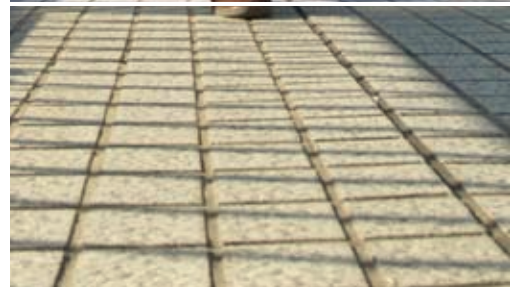
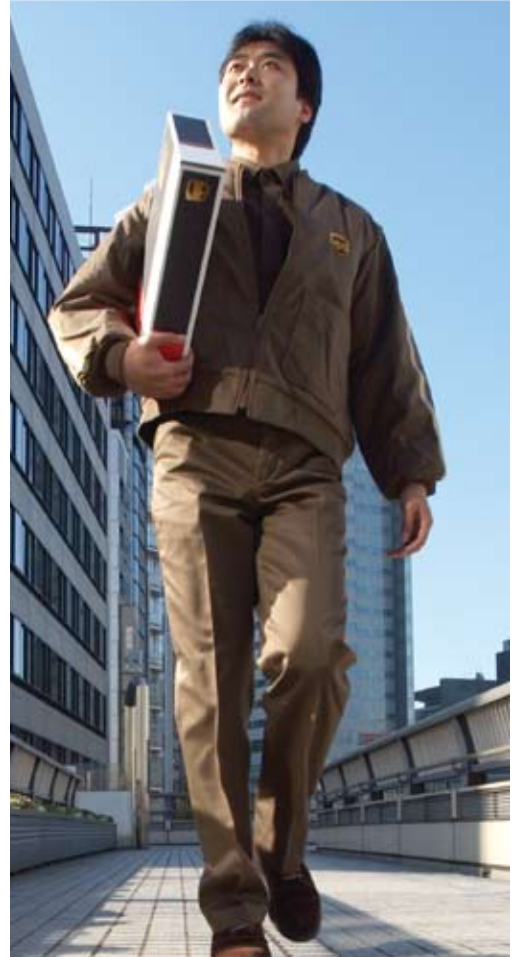
Our approach balances the economic, environmental and social aspects of our business. This includes, but is not be limited to:

Economic

- Maintaining a profitable company that provides competitive returns to our shareholders.
- Growing our business by bringing added value to customers through a wide array of solutions to meet their needs.
- Improving business efficiency.
- Supporting and stimulating the removal of barriers that inhibit the flow of commerce among trading partners and nations.
- Being a catalyst for economic development in the places we operate.

Social

- Extending our equal opportunity practices to more countries.
- Seeking solutions that provide UPS share ownership opportunities for employees worldwide.
- Investing in more training and development opportunities for our people around the world, giving them the tools to sustain safe, productive and meaningful careers.
- Developing and implementing a comprehensive strategy and protocols for philanthropy, community involvement and volunteerism wherever we operate in the world.



Environmental

- Researching, testing and using new technologies and fuels that reduce consumption and emissions.
- Deploying new operational procedures and technologies that optimize our network and reduce waste.
- Implementing our environmental initiatives on a global basis.

Finally, not only are we committed to update the measurements presented in this report on an annual basis, but to add new ones as appropriate. We will make these measurements more global in scope as our ability to collect and monitor international data improves.

At UPS, we know that our future performance and accountability are more important than past accomplishments. We endorse responsible, ethical growth and believe accountability for achieving such growth is an essential element of operating a successful business.

