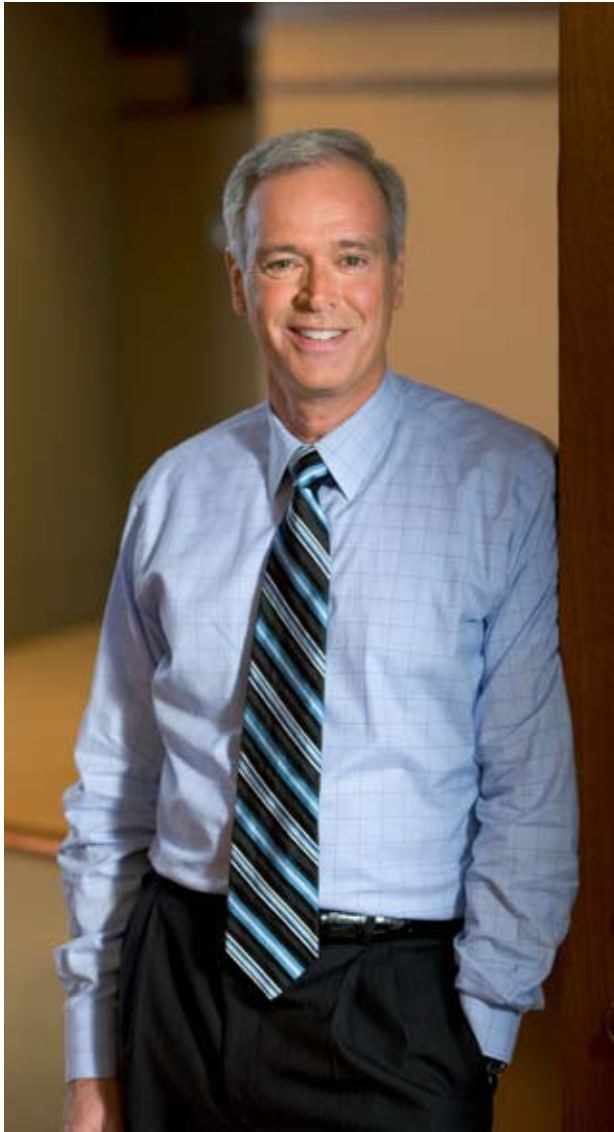


## 2.0 Letter from the Chairman

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D. Scott Davis, Chairman and Chief Executive Officer

At UPS, 2008 was a watershed year for sustainability. We completed work on a set of five-year sustainability goals and evaluated how our company must act to continue to be a sustainable enterprise.

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Much has changed since our first Corporate Sustainability Report, issued in 2003. Then, UPS was largely a U.S. company focused on package delivery. Today, we are more global, more diversified in the products and services we offer, and larger in scale and scope. We are one of the world's largest private employers, with nearly 426,000 employees. Our airline is the ninth largest in the world. We operate in more than 200 countries and territories. And we are a vital part of our customers' global supply chains, moving nearly two percent of the world's GDP. As we have grown, so has our impact.

Consequently, we are more conscious than ever of the responsibility to manage our business wisely. This change in our thinking matches that of our stakeholders, who believe that companies have an obligation to be transparent about their social, economic, and environmental performance. As a result, we dedicated staff to collect and analyze data about our activities for reporting purposes and to help us identify gaps that need to be addressed.

I also have appointed a senior vice president, Bob Stoffel, to be the person accountable for our overall sustainability program.

In this Report, we unveil detailed information about our sustainability strategy, our guiding principles, and our new goals and Key Performance Indicators. Our data is much more global in scope and also encompasses business units beyond our traditional package delivery business. This is particularly apparent in the environmental data offered in this Report. While we have reported on our CO<sub>2</sub> inventory for a number of years, we are now able to report on a global, enterprise-wide basis. Therefore, the inventories for 2008 and 2007 include both direct (Scope 1) and indirect (Scope 2 and 3) emissions—a level of disclosure unusual among our industry peers.

We believe this is important not just for UPS but also for our customers and society. The fact is that our customers rely on the transportation and logistics industry as part of their supply chains. They need accurate information from the industry to calculate

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## 2.0 Letter from the Chairman continued

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their own CO<sub>2</sub> inventories and report them to the public. For that reason, we advocate full disclosure (Scope 1, 2 and 3) for the transportation and logistics industry.

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**Even though we operate the industry's most modern, fuel-efficient, noise-compliant airline (see page 59), we are pursuing an aggressive 20 percent additional reduction in emissions.**

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This Report is notable also in that it presents for the first time an emissions reduction goal for UPS Airlines, which is the source of 53 percent of the emissions in our global inventory. Even though we operate the industry's most modern, fuel-efficient, noise-compliant airline (see page 59), we are pursuing an aggressive 20 percent additional reduction in emissions. This builds on our 28 percent reduction already achieved between 1990 and 2005. You can find a detailed description of the goal and our plans to achieve it in section 7. And bear in mind that this is just one environmental initiative among many involving our air and ground fleets, our use

of rail transport, and conservation at our facilities. Our challenge in the coming years is to push ourselves to go beyond efficiency improvements and to address our expanding environmental impact as our business grows.

In the social responsibility area, this Report outlines our new philanthropic strategy and, for the first time, offers statements from outside stakeholders regarding their engagements with UPS to address significant social issues. We also highlight the growing diversity of our workforce and celebrate the achievement of an industry-leading workplace safety goal.

All of these activities build on a long-held belief that our success is dependent on the balance of social, economic and environmental aspects of our business. We hold steadfast to this belief, even in uncertain times. While other companies may step back from sustainability activities in a challenging economy, we are stepping forward because we believe that using our resources wisely and responsibly makes us stronger for the long run. Time has proven that our sustainability efforts give us improved efficiencies, employee pride, customer loyalty, and brand equity. We renew that commitment in this Report.



D. Scott Davis