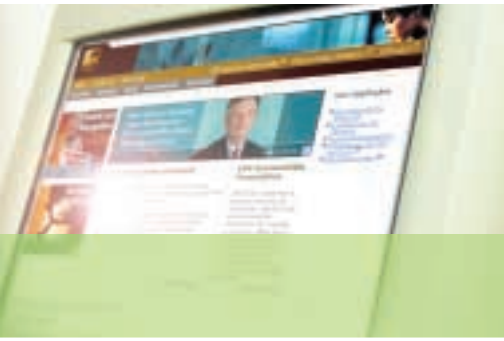


# Operating in Unison



UPS Corporate  
Sustainability Report  
2003 Summary





## 2003 Update:

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In October 2003, we issued our first Corporate Sustainability Report, *Operating in Unison*. The data in the first report is 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.

This brochure provides summary highlights of our 2003 update. The complete update, which details our progress on all key performance indicators and the major activities relating to them, can be accessed at [www.sustainability.ups.com](http://www.sustainability.ups.com).

UPS will provide annual summary updates until 2007, when we will issue a centennial sustainability report.

## A Note from the Chairman

UPS today is in many ways a metaphor for the opportunity and promise of a sustainable global economy.

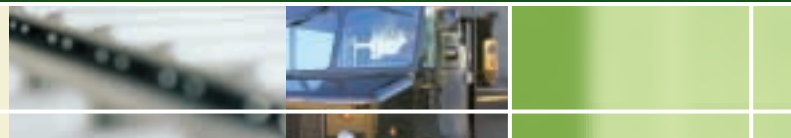
Each day we serve eight million customers in over 200 countries. Those customers entrust us with 2 percent of the world's GDP. It's a responsibility we don't take lightly. That's why we remain committed to providing the most efficient, cost-effective and environmentally and socially responsible services in our industry, while producing a healthy return for shareholders.

Balancing economic, social and environmental responsibilities is a formula that has served UPS well since our inception in 1907, and it will remain a guiding imperative as we enter our second century. This commitment to sustainable business practices was highlighted last year in our first Corporate Sustainability report. This year, we are pleased to provide an update on our progress.

UPS is progressing in a number of important areas including increasing fuel efficiency, lowering aircraft emissions and decreasing the injury rate of our employees. That said, we're never satisfied with the status quo. In the spirit of "constructive dissatisfaction," we will continue to aggressively push ahead with our 2007 goals, and we'll do so knowing that we've got the right people, processes and programs to get us there.

Regards,

*Mike Eskew*



**UPS is committed to providing the most efficient, cost-effective and environmentally responsible services in the industry, while producing a healthy return for shareholders.**

UPS finds great value in monitoring our progress toward the goal for each KPI. We consistently examine and re-examine the economic, environmental and social implications of the company's operations. Our annual sustainability update process is a critical tool in managing our business.



## Key Performance Indicator Overview

Our first corporate sustainability report, *Operating in Unison*, includes key performance measurements and establishes sustainability goals that UPS plans to achieve by 2007, our 100th anniversary.

In 2003, we made significant progress on many of our key performance indicators (KPIs). For instance, we improved fuel efficiency by 2.5 percent. It is important to note that we accomplished this reduction in fuel use while still growing our business and increasing the number of packages we deliver. By investing in new technologies that help the company operate more efficiently, UPS is progressing toward our goal of requiring only .1008 gallons per package by 2007.

### 2003 Fuel Efficiency

- Decreased fuel consumption by 1.5 million gallons.
- Decreased CO<sub>2</sub> emissions by almost 14,000 metric tons.

Other KPIs need continued attention. Safety is a way of life at UPS and a critical operational priority. One area of measurement — lost-time injury frequency — saw significant improvement. However, while UPS leads the industry in safe-driving records, our auto accident frequency increased 4.9 percent in 2003. To decrease auto accidents in 2004, we have implemented a range of specific initiatives, including:

- **Safety First:** Places safety at the top of operational priorities. For instance, UPS operations meetings, regardless of topic, begin with a focus on safety.
- **Target Zero:** Emphasizes zero accidents and injuries on a daily, weekly and monthly basis. Employees, districts and regions are recognized for achieving these safety milestones.

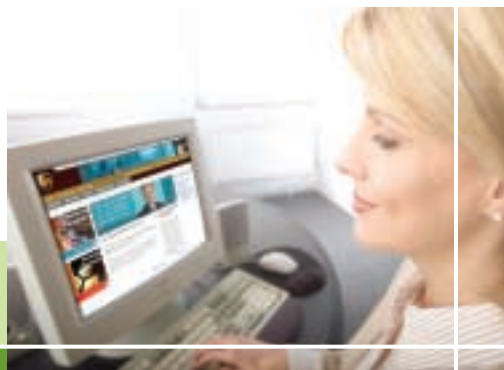
- **Summer Safety Program:** Engages employees in special initiatives during National Safety Month (June) in cooperation with the National Safety Council.
- **Training:** Increased on-road training and supervision for drivers.
- **Equipment:** Global implementation of rear vision cameras.

UPS's vision and strategy for maintaining a world-class health and safety organization demands daily emphasis on providing a safe work environment for employees. In addition, employees must be trained and educated on how to perform their work accident- and injury-free.

### 2003 Safety

- Auto accident frequency increased by 4.9 percent.
- Lost-time injury frequency decreased by 13 percent.

The 2003 status of each KPI and the initiatives launched to impact them are available in our online update. In addition, a chart is available rating UPS's own performance relative to specific indicators selected from the Global Reporting Initiative Guidelines and additional areas important for evaluating the company's performance.



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### Reporting Standards

UPS uses the Global Reporting Initiative to identify key performance indicators particularly relevant to our industry. Following are the specific KPIs we have established to measure the impact of our operations. The updated results for each measure can be found at [www.sustainability.ups.com](http://www.sustainability.ups.com).

#### Economic

Return on equity

#### Social

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

#### Environmental

- Fines as a percentage of environmental agency inspections
- Water consumption
- Energy footprint
- Ground network fuel efficiency
- Global aircraft emissions
- Percentage of fleet that meets stage VI noise requirements
- Greenhouse gas emissions footprint

#### Additional measurements

- Number of reportable spills
- Hazardous waste (recycled/incinerated/land-filled) [tons]
- Percent participation in employee opinion survey

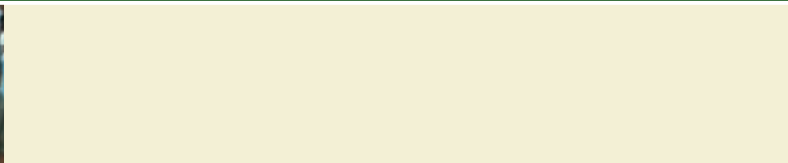
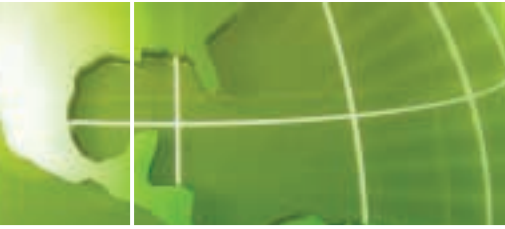
#### Feedback

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

E-mail: [sustainability@ups.com](mailto:sustainability@ups.com)

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

UPS is listed on the Dow Jones Sustainability Index and the FTSE4Good Index. These indexes are comprised of leading companies in their respective industries that demonstrate a strong commitment to sustainability.



From deploying new technologies that will improve efficiency to investing in the community infrastructure in China and Thailand, UPS made a significant impact on the global communities where we do business. Following are examples of the new initiatives that are helping us achieve our sustainability goals.

## 2003 Initiatives

### Network Efficiencies

- Rolled out Package Flow Technologies to U.S. facilities, a \$600 million upgrade predicted to save 14 million gallons of fuel annually and reduce CO<sub>2</sub> emissions by 130,000 metric tons. Full deployment is expected by the end of 2006.
- Installed 100 kilowatt solar panel array at Palm Springs, California, sorting facility. During its first full year of operation (July 2003-July 2004), the solar panels are on track to produce 197,000 kWh and reduced CO<sub>2</sub> emissions by 257,000 pounds.

### Economic Indicators

- Consolidated revenue increased 7.1 percent in 2003 to a record US\$33.5 billion, while operating profit rose 8.5 percent to US\$4.45 billion compared to US\$4.1 billion in 2002.
- Expanded reach of our international network with the award of 12 frequencies from the U.S. Department of Transportation, which link our Asian and European air routes by allowing us to fly directly between Hong Kong and Cologne, Germany.
- For the second consecutive year, UPS was included in the Dow Jones Sustainability Index, an index of companies that meet specific sustainability criteria.



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### Workforce Investment

- Continuation of UPS's Earn and Learn program, which has provided tuition assistance for 39,000 employees in the U.S. since 1999.
- UPS Supply Chain Solutions placed Health and Safety Managers in each business unit to implement strategic safety initiatives.

### Community Investment

- Establishment of annual UPS Global Volunteer Week, a week during which more than 1,000 UPS employees volunteered their time in 14 international markets.
- The UPS Foundation partnered with the Corporation for National and Community Service and the USA Freedom Corps to conduct the first-ever national study of volunteer management at nonprofits.

### Ground and Air Fleet Initiatives

- Deployed the first commercial fuel cell vehicle in North America through a unique partnership with DaimlerChrysler and the U.S. Environmental Protection Agency. The vehicle, which is a Mercedes-Benz F-Cell, delivers packages on a daily route in Ann Arbor, Michigan.
- Deployed a fuel cell-powered Sprinter van in Stuttgart, Germany.
- Became a charter member of the U.S. EPA's Smartway Transport Partnership, an initiative to reduce fuel use and emissions by shippers and carriers.
- Developed an advanced preventive maintenance inspection process for our delivery fleet, resulting in a savings of 330,000 quarts of oil and \$3 million.
- Replaced six older 727 and 747 aircraft with new, highly efficient aircraft.

### New in 2004

- Launched UPS Asset Recovery and Recycling Management service to customers. Through this service, UPS Supply Chain Solutions manages the logistics of used and obsolete electronics through repair, recycling or disposal in an environmentally safe manner.
- Extended UPS Trade Direct<sup>SM</sup> Ocean service to more than 70 ports in Asia, Europe, Latin America, Africa and the Middle East while adding Miami as a U.S. port of entry. The service allows customers to speed their merchandise directly into the UPS delivery system as soon as the goods clear customs, reducing the need for lengthy and costly warehouse stops before final delivery.
- Introduced several new technologies to provide customers with greater supply chain visibility, including Quantum View<sup>SM</sup> Manage and Flex<sup>®</sup> Global View. These applications allow UPS customers to more easily monitor package movements and use that information to better manage costs and inventory to improve service to their own customers.
- Introduced two new safety initiatives — Safety First and Target Zero — to minimize auto accidents and employee injuries.
- Recognized by several prominent organizations for the company's commitment to promoting a diverse and inclusive workplace. UPS was ranked No. 32 on *DiversityInc* magazine's "Top 50 Companies for Diversity" and was listed among *Hispanic* magazine's "Corporate 100."
- Added to the FTSE4Good Index, a leading European index fund comprised of socially responsible companies.



[www.sustainability.ups.com](http://www.sustainability.ups.com)

## 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 nearly 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.

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