

UPS Corporate Sustainability Report

2006 Executive Summary

Published July 2007



Operating in Unison

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This Executive Summary of the UPS Corporate Sustainability Report, *Operating in Unison*, provides highlights of our 2006 results. 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.

Our first report was issued in 2003 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. UPS will provide annual summary updates through 2007, and will issue a centennial sustainability report in 2008.



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.

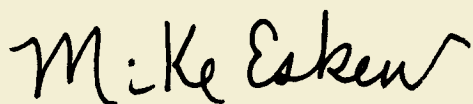
Letter from the Chairman

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.



Mike Eskew
Chairman and CEO



This year, UPS is proud to announce we have achieved one of our safety goals a year ahead of schedule. We have reduced the number of lost-time injuries per 200,000 hours by nearly 28 percent.

Key Performance Indicator Overview

Operating in Unison, our first Corporate Sustainability Report published four years ago, included key performance measurements and established sustainability goals that UPS is working to achieve by our 100th year anniversary in 2007. In 2006, UPS made significant progress on many of our key performance indicators (KPIs). Most notably, we achieved one of our safety goals a year ahead of schedule. We have improved the number of lost-time injuries per 200,000 hours by 28 percent.

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

2006 Operational Safety Improvements

- Achieved 2007 goal in 2006 — reduced lost-time injuries by 28 percent

Additionally, reportable spills decreased during 2006 from 42 to 33. Total reportable spill volume also decreased to 1,195 gallons. The company's ultimate goal is zero spills — and we will continually strive to meet that goal.

2006 Reportable Spills Improvements

- Reportable spills decreased from 42 to 33
- Total reportable spill volume decreased to 1,195 gallons

Other KPIs need continued attention. In 2006, our total energy consumption increased by 4 percent. Energy consumption per package also increased by .07 percent. This is due to time-in-transit and service enhancements as well as a shift in our business to more residential deliveries, which requires additional driving. These same factors affected our fuel consumption per package, which increased by 2.2 percent. UPS continues to pursue operational initiatives that reduce energy consumption. For example, we continue to roll out our route planning Package Flow Technology to U.S. facilities, which is significantly reducing the miles driven and fuel consumed by our delivery trucks each year. During 2006, Package Flow Technology shaved 28.5 million miles off of delivery routes in the U.S., saving 3 million gallons of fuel and reducing CO₂ emissions by 31,000 metric tons.

2006 Energy Consumption

- Total energy consumption increased by 4 percent
- Energy consumption per package increased .07 percent
- Fuel consumption per package increased 2.2 percent

These KPIs are presented merely as an excerpt from the full report, which is found on our Web site, www.sustainability.ups.com. The Web site provides additional context for all of the KPIs listed on page 3, plus year-to-year comparisons.

Since 2000, the UPS alternative fuel fleet has driven 126 million miles making deliveries to homes and businesses.



Reporting Standards

UPS uses the Global Reporting Initiative to identify key performance indicators particularly relevant to our industry.

Below are the specific KPIs we have established to measure the impact of our operations.

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

Feedback

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

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2006 Initiatives and Acknowledgments

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 for the year 2007. Following are key developments and examples of new initiatives that are helping us achieve our sustainability goals.

Economic Sustainability

- Included in the Dow Jones Sustainability Index for the fifth consecutive year and the FTSE4Good Index for the third consecutive time.
- In 2006, UPS produced record revenue, operating profit and earnings per share.

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.
- Named the most socially responsible company among all companies in *FORTUNE* magazine's "America's Most Admired" survey.
- Included in *Business Ethics* magazine's 100 Best Corporate Citizens. During 2006, UPS was the only delivery company to make the list.

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.

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 tons of CO₂ annually.

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.

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.



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.

www.sustainability.ups.com

The paper used in this update is an LOE 30% PCW and is FSC certified. FSC is a nonprofit organization devoted to encouraging the responsible management of the world's forests. FSC sets high standards that ensure forestry is practiced in an environmentally responsible, socially beneficial, and economically viable way.

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