



OPERATING IN UNISON



CENTENNIAL EDITION

2007
UPS Corporate
Sustainability Report
EXECUTIVE SUMMARY
Published August 2008

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This Executive Summary of the UPS Corporate Sustainability Report, *Operating in Unison*, provides highlights of our 2007 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. This 2007 Centennial Report presents the progress toward attaining our initial goals and states our goals for the next four years.

ON THE COVER

UPS's hybrid electric vehicles use 30 percent less fuel than the vehicles they replace, reducing emissions.

www.sustainability.ups.com

UPS met its six-year safety goal to reduce lost-time injury frequency globally.

LETTER FROM THE CHAIRMAN

The year 2007 marked an important milestone for UPS. One hundred years ago, Jim Casey helped found a bicycle-messenger service that would become UPS. Although he never used the terms “sustainability” or “corporate responsibility,” Jim based his company on values that are consistent with today’s emphasis on economic, social and environmental responsibility to investors, customers, employees and the community.

Those values endure today. UPS continues to provide our diverse group of employees with opportunities for personal and career growth. Employees are active in their communities as leaders and volunteers. The UPS Foundation remains one of the nation’s most generous givers, funding thousands of projects annually to address the world’s social problems. And the company is committed to operating in a way that makes us welcome in the communities we serve.

Because so many of our employees are UPS stockholders, as our founders intended, we take the mission of responsibility personally. Our goal, like that of our predecessors, is to leave this company better for the next generation of employees.

To be successful, we must strive for continuous improvement. Back in 2002, we set goals that became the basis of our annual sustainability report. We were the first in our industry to do so. We set goals following the standards of the time, many of which didn’t exist for the transportation industry.

In 2007, we reached a number of our goals and missed others. As has been our philosophy, we are transparent about the reasons for our results in this report. Currently, we are finalizing the next set of goals. These goals reflect the way UPS has evolved from a small package company to a global transportation and logistics company since our first report. They also will reflect the growing expectations of stakeholders around the world, who are holding companies accountable for their impact on society.

As we gain experience and knowledge, we anticipate our sustainability goals will change and evolve, but one thing remains constant: UPS’s next century of success will rely upon responsible business practices and employees who care about the future.



Scott Davis
Chairman and CEO



KEY PERFORMANCE INDICATOR OVERVIEW



Operating in Unison, our first Corporate Sustainability Report published five years ago, included key performance measurements and established sustainability goals that UPS has been working to achieve. By year-end 2007, UPS had achieved a number of the goals and made significant progress toward other key performance indicators (KPIs).

Most notably in the social category, UPS reduced its lost-time injury frequency to 2.4, exceeding its six-year goal of 3.2 lost-time injuries per 200,000 hours. And, while even one accident is one too many, UPS also reduced its auto accident frequency to 15.1, exceeding its six-year goal of 15.2 accidents per 100,000 driving hours.

UPS also met its goal to maintain a full-time workforce retention rate of 92 percent, despite normal attrition, retirements and fluctuating market conditions. And although UPS fell short of maintaining its philanthropic goal through The UPS Foundation of donating 1 percent of profits, UPS can be proud of its global contributions of US\$46.4 million, considering that this amount does not include employee contributions to United Way of more than US\$51.5 million and in-kind contributions of US\$1 million.

A number of environmental KPIs need continued attention. In 2007, our total energy consumption increased by 1.3 percent. Energy consumption per package also increased by 1.2 percent. This is due to transit-time improvements and increased residential deliveries. We continue to look for operational measures that reduce energy, from the latest innovations to rerouting to avoid left turns. During 2007, innovations through our package flow technology, which features advanced geographic tools that allow us to analyze and edit dispatch plans, shaved nearly 30 million miles off of delivery routes in the United States. This saved 3 million gallons of fuel and reduced CO₂ emissions by 32,000 metric tons.

In 2007, UPS continued to test and deploy an industry-leading fleet of alternative-fuel vehicles. To date, we have the largest private “green” fleet in the entire transportation industry. Hybrid vehicles and alternative fuel delivery vehicles will continue to help us realize savings in CO₂ emissions as we continue to increase the number of these vehicles in our fleet. Since 2000, the alternative fuel fleet has traveled more than 144 million miles making deliveries to homes and businesses.

Since 2000, the UPS alternative fuel fleet has driven 144 million miles making deliveries to homes and businesses.

Reporting Standards

The 2007 report is based on the third generation of Global Reporting Initiative (GRI) guidelines known as GRI-G3. The GRI is an independent institution that provides a credible framework for sustainability reporting.

We believe that our 2007 reporting qualifies for the GRI scope “B” application level requirements. The GRI-G3 Index in the report appendix lists the pages in which information is provided on the individual indicators.

UPS uses the GRI to identify key performance indicators (KPIs) 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 pretax profit and total UPS charitable contributions
- Auto accident frequency
- Lost-time injury frequency

Environmental

- Penalties as a percentage of total environmental inspections
- Water consumption
- Energy consumption
- Gallons of fuel per package
- Aircraft emissions
- Percentage of air fleet that meets Stage IV noise requirements
- CO₂ emissions
- 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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These KPIs are presented merely as an excerpt from the full report, which is found on our website, www.sustainability.ups.com. The website provides additional context for all of the KPIs listed here, plus year-to-year comparisons.

2007 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 operating in a sustainable and responsible manner. This includes examining how we drive, fly and conduct business worldwide. In 2007, we continued to gain new recognition and introduce new initiatives that will help us achieve our sustainability goals in the future. Listed below are key developments and examples of new initiatives that are helping us achieve our sustainability goals.

Economic Sustainability

- UPS was included in the Dow Jones Sustainability Index for the sixth consecutive year and the FTSE4Good Index for the fourth consecutive year.
- International export package volume grew by more than 10 percent.
- The supply chain and freight segment increased profits by US\$276 million.

Social Sustainability

Community Investment

- The UPS Foundation gave US\$46.4 million to thousands of organizations worldwide.
- Employees volunteered more than 1 million hours.
- Employees donated US\$51.5 million of the US\$59.5 million UPS donated to the United Way.

Workforce Investment

- The company invested US\$31.7 billion in our employees worldwide. This includes US\$15.1 billion in indirect pay, such as income protection, healthcare benefits and retirement plans. It also includes US\$107.4 million in 401(k) stock matches.
- UPS was named in the Reputation Institute's list of the "World's Most Respected Companies." We ranked second globally in the transport and logistic industry and first in the United States. We ranked first in corporate citizenship.

UPS's commitment to network optimization and energy conservation goes beyond its own network. UPS makes its fuel-saving technology available to other companies through UPS Logistics Technologies.

Environmental Sustainability

Ground and Air Fleet Initiatives

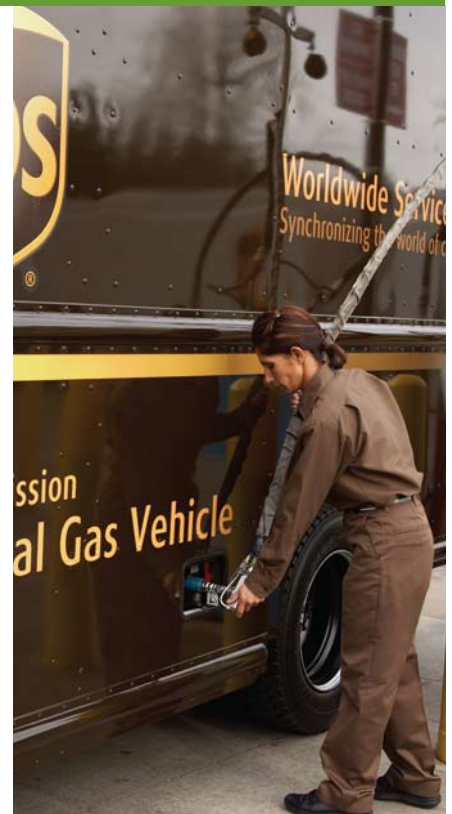
- UPS continues to develop and use sophisticated aircraft routing technology to improve the fuel efficiency and environmental performance of UPS Airlines — the world's ninth largest airline.
- UPS retired 20 727-100s and acquired three new, highly efficient 747-400s.
- We continue to enhance the UPS "green" fleet by testing and deploying hybrid, compressed natural gas and propane-powered delivery vehicles.
- UPS employs telematics, the use of technology to collect and analyze data from delivery trucks, to help identify ways to reduce energy and emissions while improving driver safety and customer service.

Infrastructure Initiatives

- UPS continues to roll out package flow technology, which is designed to improve delivery efficiency and energy savings in U.S. facilities.
- The company evaluates alternate and renewable energy sources, including solar energy. We use roof-top solar panels in our Palm Springs, Calif., sorting facility. Since its deployment in 2003, the electricity produced has reduced CO₂ output by 1 million pounds.

Recycling Initiatives

- The company maintains its electronic equipment recycling initiative started in 2000. To date, UPS has recycled 22.3 million pounds of electronic equipment, with 2.65 million pounds in 2007.
- UPS recycles solid waste. In 2007, UPS recycled 45,400 tons of solid waste materials, including metals, plastics, paper, corrugated materials, pallets and wood waste. Additionally, UPS purchased 159,100 tons of materials with recycled content.





OPERATING IN UNISON



As part of the UPS People to People Program, volunteers construct a state-of-the-art computer lab in India. In its eighth year, the program is dedicated to improving lives through education and technology.

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 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.

This centennial report details the results of our key performance indicators (KPIs) from 2002 to 2007.