

Creating Our Tomorrow, Sustainably

2018 CORPORATE SUSTAINABILITY
PROGRESS REPORT

Our business sits at the intersection of disruptive trends, such as rapid urbanization and e-commerce growth, and associated challenges, such as congestion and climate change. Through continuous transformation, we are capitalizing on disruption to shape a future in which more people prosper, enterprises run more efficiently, and resources are conserved for future generations. In this year's report, we focus on the enablers of our future:

01—Transformative Vision

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24—Innovative Technology

33—Collaborative Partnerships

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About This Report

We are pleased to present UPS's 17th annual Corporate Sustainability Progress Report. Continuous improvement, leadership, and transparency have been hallmarks of our reporting through the years.

This Corporate Sustainability Progress Report shares stories of UPS's performance, initiatives, and engagements during the reporting period of calendar year 2018. We also have produced a Content Index that contains relevant data and information to meet requirements of the [Global Reporting Initiative \(GRI\) Standards Comprehensive level](#). Both documents (referenced together as "Our Corporate Sustainability Report") can be found at ups.com/sustainability in both interactive and downloadable PDF formats.

We engaged Deloitte & Touche LLP to conduct a review, in accordance with attestation standards established by the American Institute of Certified Public Accountants, to provide a limited level of assurance on management's assertion over the sustainability disclosures in the 2018 GRI Content Index referenced within the 2018 Corporate Sustainability Progress Report, as well as a reasonable level of assurance on our Statement of Greenhouse Gas Emissions for the year ended December 31, 2018.



Transformative Vision

UPS is undergoing an unprecedented transformation—one that will not only strengthen our business, but also position us, and our customers, to operate more sustainably.



CEO MESSAGE

A Transformative Strategy for a Changing World

From delivering packages between cities to transporting freight across borders, UPS is a critical player in facilitating global trade and supporting the world economy. With three percent of global gross domestic product (GDP) flowing through our network every day, we are a key part of our customers' supply chains, helping businesses reach new markets, and enabling economic development.

But the world is changing fast, and we do not take this leadership position for granted. We've earned our leadership role as a result of more than 112 years of embracing innovation, being first-movers in nascent marketplaces, and making our competitors chase and copy our bold moves. Simply put, we've understood that there's a reason our windshields are bigger than our rearview mirrors, and we've always embraced the future.

Today, we're managing the impact of new competitors, as well as megatrends such as e-commerce, urbanization, technological innovation, and climate change that are fundamentally shifting markets and everyday life. Our biggest threat? A status quo mindset that inhibits new thinking and industry-leading, category-creating innovation.

To continue advancing our industry leadership, we embarked on a journey more than a year ago to transform nearly every aspect of our business, from leadership and culture, to operations and our go-to-market strategy. By embracing megatrends shaping the future, we are not only improving our operational efficiency, but also creating more sustainable practices that will strengthen our business in a changing world.

Modernizing our network

A critical outcome of our transformation is to make UPS the fastest, most technology-enabled, and responsive company in our industry. We are expanding the use of route optimization and navigation software that reduces fuel and emissions across our network, from package pick-up to delivery. In London, we're testing smart-grid technology that can charge an entire fleet of electric vehicles simultaneously – a groundbreaking move. Since 2009, we have invested more than \$1 billion in alternative fuel and advanced technology vehicles and infrastructure globally, with more than 10,000 of these vehicles in our fleet today. We are also collaborating with cities to create innovative last-mile delivery solutions that reduce congestion and pollution in dense urban centers, with more than 30 projects currently underway around the world.

STRATEGIC IMPERATIVES



Small- and
Medium-Sized
Businesses



Global B2B and
B2C E-commerce



Healthcare and
Life Sciences



International
High-Growth
Markets

Enabling customer growth

UPS's strategic growth imperatives include focused investments in areas that will create a more inclusive global economy. For example, we are enhancing services for small and medium-sized businesses, which comprise approximately 50 percent of U.S. GDP. A recent example is Ware2Go, a new UPS business that matches available warehouse space and fulfillment services across the U.S. with merchants who need the space. By reducing the complexity and cost of logistics for smaller businesses, we are helping this important segment of our economy prosper.

We also continue to expand in international high-growth markets, where we can efficiently connect domestic and export customers through our network. Roughly 95 percent of the world's population lives outside the U.S. – many in emerging markets that are the growth engines for the global economy. UPS is developing tools and partnerships to connect with small business owners in these markets – particularly women – through capacity-building programs that empower them to participate in global trade.

Empowering our people

This transformation wouldn't be possible without a strong team. That's why we're fostering a culture focused on innovation and agility, encouraging UPSers at all levels to think like entrepreneurs and act in bold new ways.

In 2018, we introduced a new internal competition in which dozens of startup teams pitched their ideas to UPS leadership. Four teams received funding in 2018 to operationalize new solutions and services that will help customers streamline returns, reduce waste, and conduct transactions more safely. We also hosted hack-a-thons in collaboration with community partners, during which UPSers contributed their technical expertise to bring new thinking to big challenges.

I know that bold thinking exists within every UPSer around the world, and we are creating an environment to unleash it.

Creating our tomorrow

We are undertaking this transformation from a position of strength. A mindset of continuous transformation, combined with the courage to innovate fearlessly, will ensure our continued strong growth into the future.

It's been said that the best way to predict the future is to create it. At UPS, we're choosing to create a future that is connected, sustainable, and inclusive. It's not always the easy path. But exponential change brings exponential opportunity if we have the resolve to do what it takes.

David Abney
Chairman and CEO



SUSTAINABILITY STRATEGY

Sustainability at UPS

Sustainability is an inherent part of UPS's strategy and business operations. As a global leader in logistics and supply chain solutions, we transport packages and freight, facilitate international trade, and apply advanced technology to efficiently manage the world of business. In this role, we have the opportunity to reduce greenhouse gas (GHG) emissions for the supply chains of many businesses.

Our integrated network and scale position us to transport and deliver products for many of our customers more efficiently than they could do on their own. Therefore, operating more sustainably benefits not only UPS, but also our customers, reducing the emissions intensity of supply chains worldwide. Given the far-reaching impacts of all that we do, UPS has set an ambitious goal to reduce the absolute GHG emissions of our global ground operations 12 percent by 2025. This goal is backed by three supporting targets to spur the use of renewable fuels and new technologies throughout our operations: by 2020, one in four of the vehicles we purchase will employ alternative fuel or advanced technology; by 2025, 40 percent of all ground fuel will come from sources other than conventional fuels and 25 percent of total electricity will come from renewable sources. Our scale works in our favor here as well: our investments in innovative technologies pave the way for sustainable benefits and market adoption.

Scale benefits us in other ways, too. We employ more than 481,000 people and reach thousands of communities across more than 220 countries and territories. As a result, our view of sustainability is broad and interconnected, extending beyond the environment to include the long-term economic viability of our business and that of our customers, the empowerment of our people, and the needs of communities around the world. Employee safety is a top priority and we have set goals to reduce instances of lost-time injuries and auto accidents. And we are a valued community partner. By the end of 2020, UPS aims to have volunteered 20 million hours, planted 15 million trees, and made \$117 million in annual charitable contributions through The UPS Foundation.

Our Global Network

WHO WE SERVE

220+
Countries and Territories

58 Million
UPS My Choice® Members
as of 5/31/19

10.6 Million
Customers Daily

WHERE WE GO

Americas
Asia-Pacific
Europe
Indian Subcontinent, Middle East, and Africa (ISMEA)
USA



WHAT WE DELIVER

5.2 Billion
2018 Package Volume

20.6 Million
Packages Daily

HOW WE DO IT



564
Owned and Leased Aircraft




10,000+
Alternative Fuel or Advanced Technology Vehicles



28,000
UPS Access Point™ Locations



2,500
Worldwide Operating Facilities



2,320
Daily Flight Segments



123,000
Vehicles




481,000+
Global Employees




Global Small Package
Full spectrum of ground and air package shipping services

Logistics & Distribution
Solutions that manage the flow of goods from receiving and storage to processing and shipping



Insurance & Financing
Traditional and nontraditional financial and payment services through UPS Capital®

Freight Forwarding
A global portfolio of brokerage, less-than-truckload and full truckload services, and air and ocean freight



Material Issues to Focus Our Efforts

As we continue to refine our sustainability strategy, we consider macro trends, global frameworks such as the U.N. Sustainable Development Goals, and stakeholder feedback, which serve as inputs to identify issues that are material to our business. The topics below have emerged as priorities for our stakeholders and our long-term business success, and shape our global sustainability strategy, commitments, and initiatives. The following topics are covered in this Progress Report or in the GRI Content Index available at ups.com/sustainabilityreport.



SUSTAINABLE SOLUTIONS

- Data Privacy
- Digital & Physical Asset Security
- Package Contents Responsibility
- Transparency & Reporting



ENVIRONMENTAL RESPONSIBILITY

- Congestion
- Emissions & Fuel Supply
- Greenhouse Gas Policy



GLOBAL CONNECTIONS

- Emerging Markets
- Global Trade
- Humanitarian Relief & Resilience
- Management of Third-Party Representatives



EMPLOYEE EXPERIENCE

- Employee Health, Safety & Wellness
- Ethical Conduct
- Labor Relations
- Recruitment & Development
- Safe Driving
- Workforce Diversity & Inclusion

Sustainability Goals

2020 WORKFORCE GOALS			2020 COMMUNITY GOALS		
1% Improvement	3% Improvement	2% Improvement	\$117 Million	20 Million	15 Million
Lost Time Injury Frequency	Auto Accident Frequency	Employee Engagement Index	Total Charitable Contributions	Global Volunteerism Hours (Cumulative)	Global Forestry Initiative Tree Plantings (Cumulative)
ENVIRONMENTAL GOALS					
12% by 2025	25% by 2025	40% by 2025	25% by 2020		
Reduction in Absolute GHG Emissions in Global Ground Operations	Electricity From Renewable Sources	Alternative Fuel as a Percentage of Total Ground Fuel	Total Vehicles Purchased Annually That are Alternative Fuel or Advanced Technology Vehicles		

How We're Responding to Global Megatrends

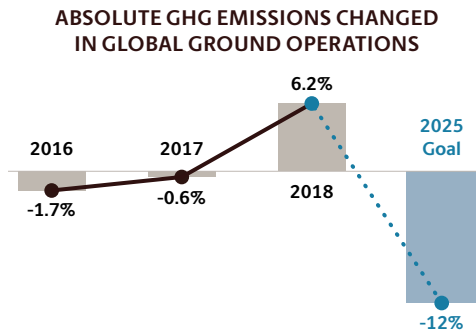
UPS's global logistics network carries 3 percent of the world's gross domestic product (GDP) on a daily basis. Here are the principal dynamics shaping how that network evolves in the future.



Sources: 1 Grayline Group; 2 The United Nations; 3 Fortune; 4 Swiss Re Institute; 5 Digital Commerce 360; 6 Shopify Plus and Statista; 7 World Business Council for Sustainable Development; 8 World Health Organization; 9 Man Power Group; 10 Korn Ferry Institute

2018 Progress Toward Our Aspirations

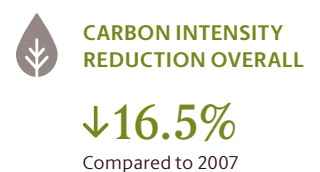
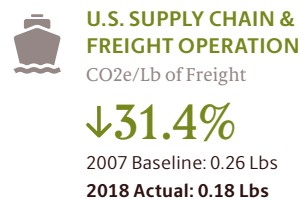
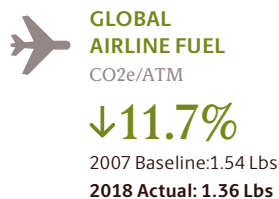
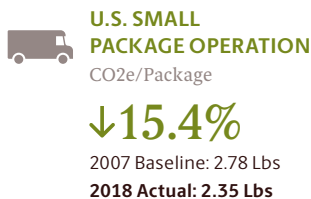
Sustainability goals keep us focused on what's ahead. In 2016, UPS set new multiyear, enterprisewide goals, including targets to address our environmental impacts, advance industry-leading safety programs, and strengthen the communities where we live and work. Learn about the progress we made in 2018.



In 2016, we committed to reducing absolute GHG emissions across our global ground operations 12 percent by 2025 (2015 baseline). E-commerce growth is driving a need for increased capacity across our network, including fleet expansion and facility automation, both of which require more energy and generate more emissions. Increasing the use of renewable energy across our fleet and facilities is the key pathway to achieving this goal.

We also continue to report on our GHG intensity goal, the Transportation Intensity Index, referenced below, which was introduced in 2010. Our goal is to reduce overall carbon intensity 20 percent by 2020 (2007 baseline). This Index captures the overall efficiency of our global network by measuring GHG emissions associated with transporting packages and freight for our customers in a given year. Separate carbon intensity metrics measuring the Scope 1 and Scope 2 CO₂e emissions for each of our three business segments are included in this Index. As of 2018, UPS has realized an overall carbon intensity reduction of 16.5 percent; however, this reflects a decline in performance relative to 2017 performance due to increased absolute emissions referenced above.

Transportation Intensity Index

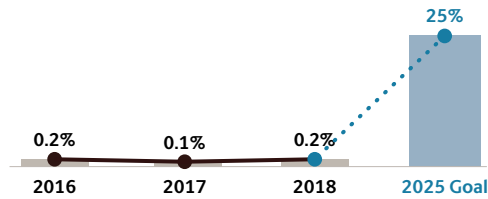


GHG Emissions by Source (CO₂e metric tonnes)

SOURCE	GHG SCOPE	2018	2017	2015 BASE YEAR
Airline Fuel	Scope 1	8,652,000	8,190,000	7,375,000
Vehicle Fuel	Scope 1	4,906,000	4,631,000	4,587,000
Facility Fuel (Heat)	Scope 1	293,000	226,000	235,000
Facility Electricity	Scope 2	784,000	745,000	814,000
Total		14,635,000	13,792,000	13,011,000

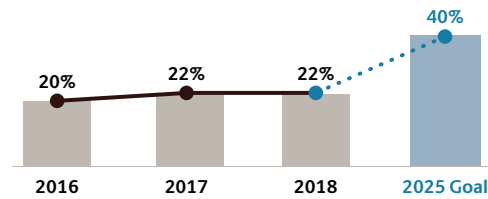
To learn more about UPS's GHG emissions, visit the GRI Content Index (disclosure 305: Emissions) at [ups.com/sustainabilityreport](https://www.ups.com/sustainabilityreport).

ELECTRICITY FROM RENEWABLE SOURCES



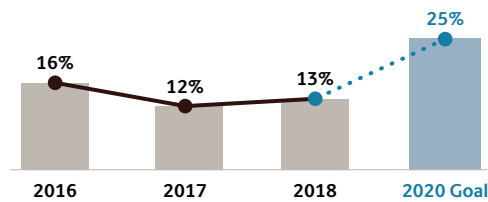
In 2018, we continued to deploy rooftop solar arrays on our facilities and plan to complete a 10MW installation by the end of 2019 (representing approximately 1 percent of 2018 energy use); however, more work is needed to increase our capacity for renewable electricity and accelerate progress toward this goal. In the coming years, we plan to explore other renewable electricity solutions that are feasible from an environmental and economic perspective, including the purchase of renewable electricity and additional on-site solar installations.

ALTERNATIVE FUEL AS A PERCENTAGE OF TOTAL GROUND FUEL



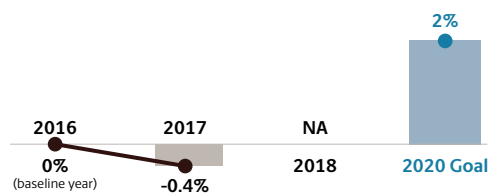
In 2018, we continued expanding our “rolling laboratory”—UPS’s fleet of more than 10,000 alternative fuel and advanced technology vehicles, including all-electric, hybrid electric, hydraulic hybrid, ethanol, compressed natural gas (CNG), liquefied natural gas (LNG), renewable natural gas (RNG), biodiesel, and propane. We purchased 119 million gallons of alternative fuels, which represents 22 percent of our total ground fuel usage. The use of alternative and renewable fuels is critical to achieving our goal to reduce absolute GHG emissions.

PERCENT OF VEHICLES PURCHASED THAT ARE ALTERNATIVE FUEL AND ADVANCED TECHNOLOGY VEHICLES



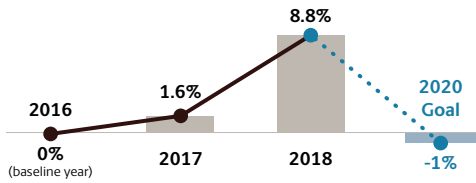
In 2018, 13 percent of the new vehicles we purchased use some type of alternative fuel or advanced technology, bringing our rolling laboratory to more than 10,000 vehicles. We continue to deploy Class 8 natural gas vehicles (tractor-trailers) at scale and invest in our electrification strategy as well; however, barriers include high initial purchase price and a scarcity of vehicles suited for UPS’s applications. We are collaborating with several vehicle manufacturers to pilot new electric vehicles that meet our needs.

EMPLOYEE ENGAGEMENT



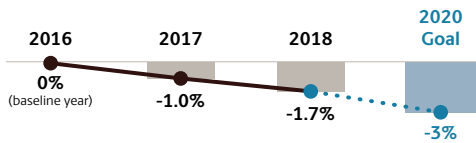
In 2016, we set a goal to improve our Employee Engagement Index (EEI) 2 percent by 2020 (from 76.3 percent to 78 percent favorable). The EEI is derived from UPS’s annual Employee Engagement Survey (EES). We did not conduct the EES in 2018 due to enterprise-wide transformation initiatives underway.

LOST TIME INJURY FREQUENCY



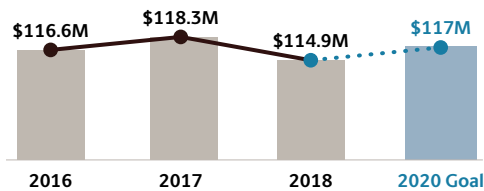
UPS is committed to sustaining our track record of industry-leading employee health, safety, and wellness programs across a growing workforce. In 2016, we set a goal to improve our lost time injury frequency (LTI) 1 percent by 2020. By doing so, we would reduce our rate of LTI incidents from 1.82 to 1.80 occurrences per 200,000 hours worked.

AUTO ACCIDENT FREQUENCY

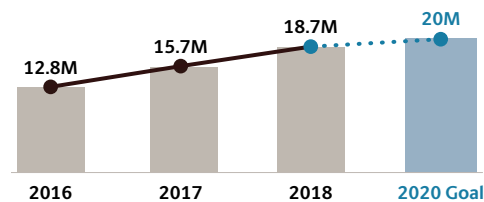


We aim to reduce the number of vehicle accidents 3 percent compared to a 2016 baseline (from 9.04 to 8.75 vehicle accidents per 100,000 driver hours). Investments in driver training and advances in technology, such as collision mitigation systems on our vehicles, and the use of virtual reality tech in training our drivers, are helping us make steady improvements toward this goal.

CHARITABLE CONTRIBUTIONS

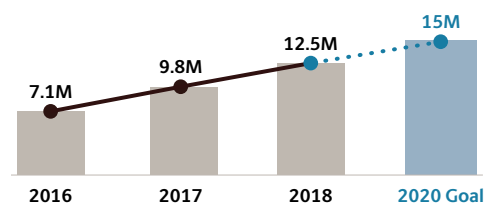


This goal reflects contributions by UPS; The UPS Foundation (our corporate citizenship arm); and UPS employees, retirees, and their families. After reaching record contributions in 2017, we adjusted our 2020 goal from \$127 million to \$117 million to reflect enterprisewide transformation initiatives, while continuing to commit resources and make a positive impact in our communities. We reduced contributions slightly in 2018, due to a deferment of \$4.5 million from the 2018 to the 2019 philanthropic budget.

EMPLOYEE VOLUNTEER HOURS
(CUMULATIVE SINCE 2011)

At UPS, our culture supports community service, helping to harness our collective effort in ways that make a real difference around the globe. That's why we pledged in 2011 to complete 20 million hours of global volunteerism and community service by the end of 2020. In 2018, UPSers contributed 3 million volunteer hours, generating an economic value of more than \$76 million, based on the valuation of volunteer time released by [Independent Sector](#) on April 11, 2019.

TREES PLANTED (CUMULATIVE SINCE 2012)



UPS launched the Global Forestry Initiative in 2011 to plant, protect, and preserve trees that help absorb carbon, prevent erosion, and provide habitats for wildlife in urban and rural areas around the world. In 2018, we planted 2.7 million trees through employee volunteer projects and grants to our environmental nonprofit partners. We are more than 80 percent toward our goal to plant 15 million trees by 2020.



How Today's Challenges Are Shaping Tomorrow's Opportunities

Crystal Lassiter, UPS Senior Director, Global Sustainability & Environmental Affairs



Our sustainability goals are ambitious by design, driving us to push the limits of what is possible and to create innovative solutions for the world's pressing problems.

In 2016, we established our multi-year sustainability goals aimed at reducing UPS's environmental footprint, advancing industry-leading employee safety programs, and giving back to the communities we serve. Our sustainability goals are ambitious by design, driving us to push the limits of what is possible and to create innovative solutions for the world's pressing problems.

I'm proud to report we're making progress toward our commitments. We're more than halfway toward our goal to reduce auto accidents 3 percent by the end of 2020, and we're on track to plant 15 million trees and volunteer 20 million hours by the same year.

In other areas, we're facing headwinds.

Our most ambitious goal is to reduce absolute emissions 12 percent across our global ground operations by 2025. In the logistics industry, renewable energy is critical to cutting emissions. We've set targets to use more renewable energy to fuel our fleet and power our facilities, and to continue expanding our rolling laboratory of lower-emission vehicles. Despite these investments, our emissions in 2018 increased 6.2 percent over a 2015 baseline, primarily driven by skyrocketing growth in e-commerce.

To expand our global network capacity to handle this growth, we've added more delivery trucks to our fleet and introduced service enhancements, such as Saturday Ground pick up and delivery, to meet our customers' demand for more opportunities to serve their customers. During 2018, we built 22 new facilities, including investments in automation technology and infrastructure upgrades. We're driving more miles, using more energy, and generating more emissions in response to market demands and to serve the growing supply chain needs of our customers.

There are also external market forces at play. The e-commerce boom has changed buyer behavior—consumers have become accustomed to getting nearly anything they want, when and where they want it. And while we continue deploying lower-emission vehicles and piloting smart-grid technologies, other emerging innovations, such as fuel cell technology and battery storage, are developing more slowly than expected.

E-commerce growth has also affected our workforce goals. To handle record package volume, we've ramped up recruiting efforts, welcoming nearly 30,000 more employees in 2018 compared to 2017. During that same time, we saw more instances of injuries, primarily due to the significant increase in new employees hired to meet the demands of e-commerce growth. Through an analysis of our safety training and processes, we learned most injuries occur during the first year of employment.

To address the injury rates among newer employees, we are reinforcing safety principles during the onboarding process and incorporating new technologies, such as virtual reality driver training, that help people work safer and smarter. Health and safety committees across our operations are taking an active role in mentoring new employees as they learn UPS's safety techniques. Investments in new technologies are enabling us to improve monitoring and employee engagement, and expand the reach of our safety committees.

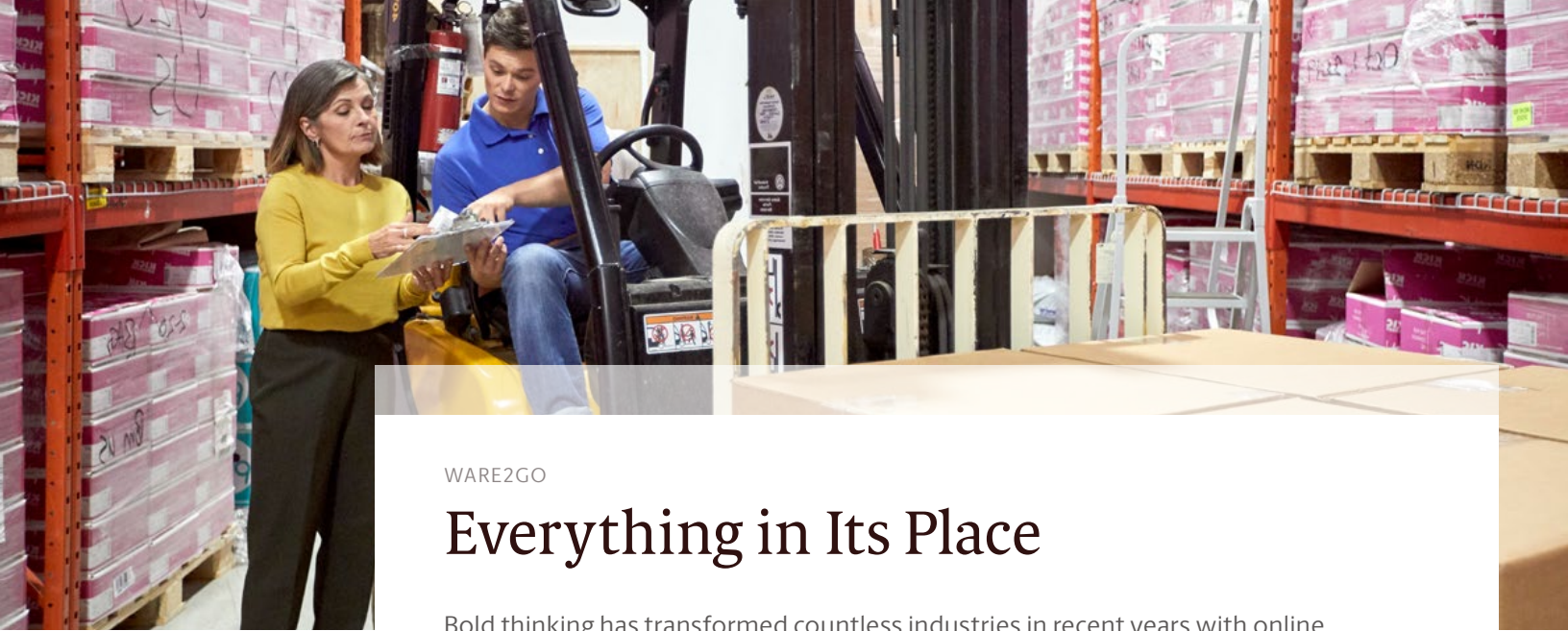
Our business is growing at an unprecedented rate, and e-commerce shows no signs of slowing down. Nevertheless, we remain committed to these goals and are taking steps to accelerate momentum and drive progress. In addition to cutting absolute emissions, we are also working to reduce carbon intensity 20 percent across our operations by 2020. Since 2007, we have realized an overall reduction of 16.5 percent toward this goal. From 2008 through 2018, we invested \$1 billion in alternative vehicles, fuels, and infrastructure. In 2019, we plan to make the largest purchase of renewable natural gas ever made in the U.S., and will continue collaborating with vehicle manufacturers, fuel suppliers, and other stakeholders to create more sustainable delivery solutions.

At UPS, we see these challenges as opportunities in disguise, and we remain steadfast in our commitment to sustainability. We'll continue collaborating with stakeholders to develop new ideas, test new technologies, and pioneer new solutions that are better for the environment, our employees, and our business.



Bold Ideas

We're responding to fast-changing trends in commerce and customer needs with equally nimble solutions. UPSers are the source of a host of innovative concepts that will change the way we serve our customers.



WARE2GO

Everything in Its Place

Bold thinking has transformed countless industries in recent years with online platforms that unite buyers and sellers who might not otherwise have found each other. Consider changes in personal mobility and travel, for example, where for many consumers, services like Uber and Airbnb have taken the place of taxicabs and hotels.

Ware2Go™, UPS's newest startup, applies this approach in an unexpected way, matching available warehouse space and fulfillment services with merchants who need to get online orders to customers fast. The platform solves a number of problems for merchants and warehouse owners alike. Ware2Go primarily targets small and medium businesses, who often fulfill their products out of just one location. They struggle to get their merchandise to customers further out from their distribution centers without dramatically increasing cost or transit time.

Ware2Go not only allows merchants to position products closer to their customers, but does so without requiring volume or time commitments, upfront costs, or long-term contracts, making it easy to add inventory at any time. Merchants only pay for the storage space they occupy, allowing them to flex up or down and more easily align to business fluctuations.

For warehouse managers, Ware2Go provides a new source of customers and revenue without increasing workload. As the Ware2Go team targets and certifies warehouse space, focusing on warehouses that already provide fulfillment services, the team ensures the providers can meet Ware2Go's performance, quality, and security standards. Bringing on a new customer can be a significant effort for these warehouses. Ware2Go streamlines some of their most time-intensive tasks, such as finding customers and managing relationships, with its cloud-based platform.

A Company Is Born

The innovation process that led to Ware2Go is a perfect illustration of UPS's transformation journey, touching several of our Strategic Growth Imperatives. In 2017, a small group of UPS employees set out to “think like a startup,” looking at how the business-to-business e-commerce market was exploding and identifying areas within that space that UPS could tap into. One pain point identified was that demand for warehouse space outpaced supply. Small businesses need the benefits of distributed inventory systems to keep up with the demands of e-commerce. The traditional long-term agreements and rate plans were out of

reach for many small businesses—and finding warehouse space at competitive rates was challenging. Together, these challenges were a bottleneck to the success of small businesses.

The team suspected that unused warehouse capacity was available—merchants simply didn't have an easy way to find it. Much like Coyote Logistics allows customers to transport goods using unused freight capacity, team members saw the need for a solution that would help merchants get products to customers while making more efficient use of warehouse space.

UPSers pitched Ware2Go™, as well as other promising business concepts, to the UPS Venture Board, a small group of cross-functional senior executives. Ware2Go stood out from the rest, and the full UPS management committee gave the go-ahead in early 2018. A dedicated team of UPS employees worked with BCG Digital Ventures to design and build the business from the ground up, launching commercial operations less than six months later.

Helping Small Businesses Grow

Now, both merchants and warehouses can go online and join the platform in minutes. After sharing details about their products, orders, space requirements, and delivery needs, they can start managing inventory and orders across the Ware2Go network. Merchants can see their inventory levels in real time, while Ware2Go handles communication and invoicing on warehouses' behalf. Ware2Go also provides same day order fulfillment and standard delivery in two days or less to satisfy the requirements of the most prominent e-commerce marketplaces - giving small businesses national reach.

Ware2Go combines startup-level agility with the scale and scope of the UPS® network. And therein is the most important aspect of what Ware2Go provides. “Supply chain and logistics are complex issues,” says Linda Shepherd West, Director of Marketing Research and part of the Ware2Go team. “And it's not why most small business owners went into business to begin with. The more we can step in and provide expertise and make these tasks more seamless for them, the more time they will have to do what they love. That's an exciting opportunity for UPS.”

HOW WARE2GO GETS PACKAGES WHERE THEY BELONG





DESIGN THINKING WORKSHOP

Helping Customers Think Sustainably

For years UPS has collaborated with customers to provide more sustainable solutions, from carbon measurement and our Eco Responsible Packaging Program, to UPS carbon neutral shipping and product returns initiatives.

Over the years, we've seen more customer interest in these topics. UPS plays an important role in our customers' supply chains, so they expect us to bring solutions that reduce emissions throughout their value chain.

As global companies take a more holistic approach to addressing their environmental impacts—from raw materials and packaging, to transport and consumer use—they uncover new challenges. And new challenges require a fresh perspective.

In 2018, we created a workshop—UPS Co-Innovation—built on the principles of design thinking that helps customers take a different approach to their sustainability challenges. During the workshop, UPS teams guide customers through activities to identify one central pain point from the perspective of a consumer, employee, or other stakeholder. Attendees typically include senior leaders and subject-matter experts from various functions, each contributing a unique perspective from operations, transportation, marketing, finance, and engineering, among others. This helps ensure we uncover insights that inform the right solutions to the right problem. Once everyone is in agreement on the specific challenge, the group then brainstorms potential solutions and, in some cases, begins developing high-level prototypes and gathering user feedback.

The UPS Co-Innovation program brings together creative minds to foster startup thinking that generates new ideas and scalable solutions. UPS piloted this program with several customers in 2018, including Honda and Nespresso. In each, UPS's customers gained useful insight from differing perspectives that brought more value to their organizations and ultimately to their customers. We look forward to expanding this offering to more customers in the future.



PERSPECTIVE

UPSer Rethinks Returns

Aparna Mehta, Global Solutions Director



I was shocked to discover that a majority of returns go directly to a landfill: 4 billion pounds of returned clothing ends up in the landfill each year.

80 Teams

Comprised of 240 UPSers Across the U.S. Submitted Ideas for New Business Opportunities and Operations Solutions

Have you ever had something shock you out of your bubble? For me, it was when I discovered that free returns aren't necessarily free. At least, not the way we usually think about them. There was a time when I would order three or four sizes of the same shirt, keep the one that fit best, and return the others. As a result of a recent UPS innovation challenge, however, I've started to rethink that behavior.

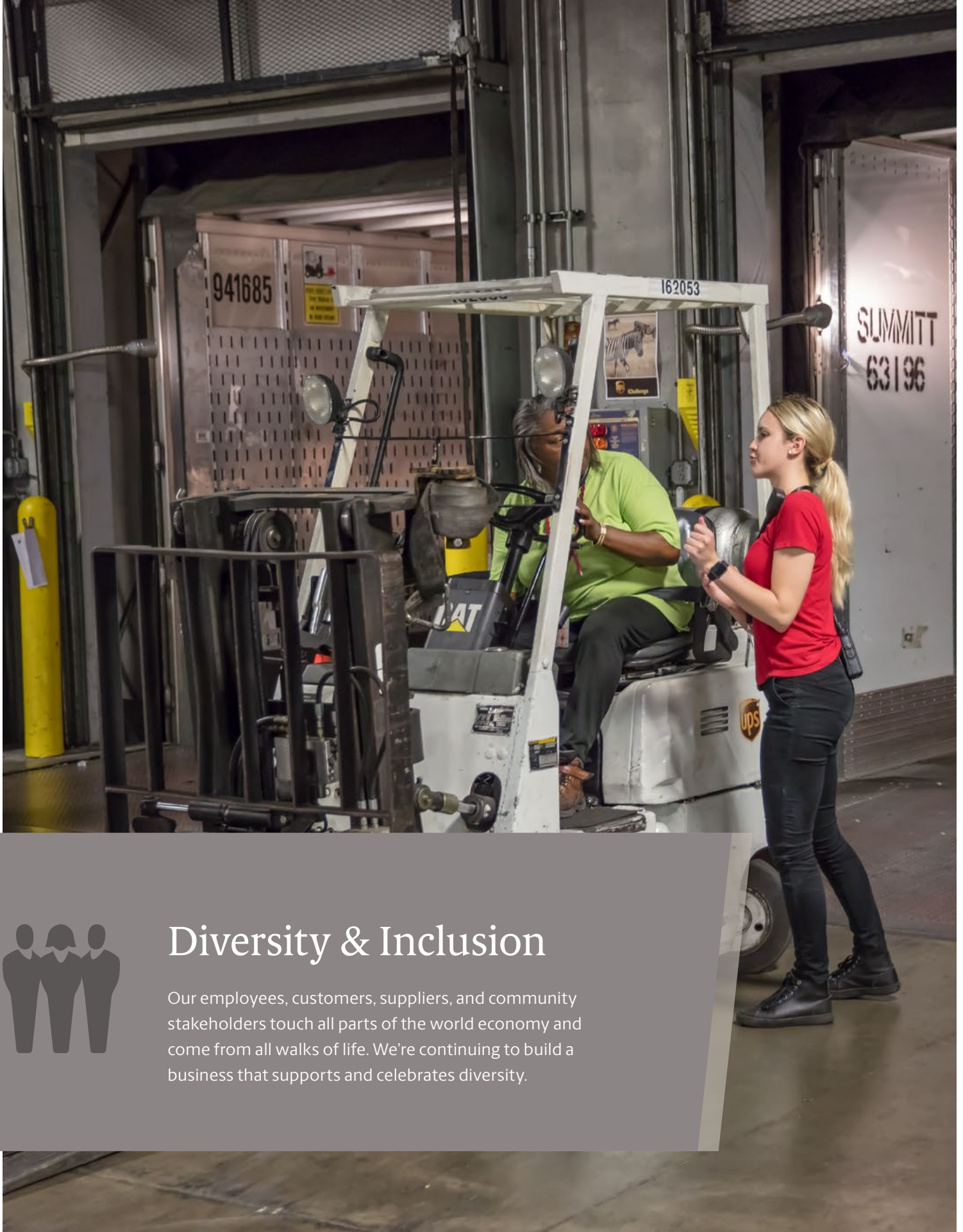
The convenience of free returns comes with effects we might not always think about. I was shocked to discover that a majority of returns go directly to a landfill: 4 billion pounds of returned clothing ends up in the landfill each year. I always thought returned items were put back in inventory for someone else to buy, but it's more complicated than just placing a shirt back on the shelf.

The more I thought about it, I realized this was a logistics problem, and that I, of all people, should be able to solve it. I thought, "What if returned items went directly to the next consumer instead of back to the store before being sent to the next person? What if retailers provided incentives to consumers to participate and keep returns out of inventory and, ultimately, the landfill? And what if UPS could play a role in that process?"

A seed was planted. I shared my idea during a TED@UPS talk in 2018 and was excited to enter an internal innovation competition later that year. More than 80 teams comprised of 240 UPSers across the U.S. submitted ideas for new business opportunities and operations solutions for UPS. Our team developed an idea, Greenturn, from an initial concept to a business strategy and competed in three rounds of presentations to UPS leadership, including members of the UPS Management Committee.

We were thrilled when Greenturn was selected as one of four proposals to progress to the incubation stage. During this stage, we conducted extensive interviews with retailers who might be interested in a peer-to-peer returns solution, and learned that the marketplace is not ready to relinquish quality control to customers—yet. Now, we are collaborating with other UPSers to explore the viability and market desirability of radical new models that will improve the returns process.

I don't see this change in direction as a failure. Rather, it was a chance to learn something new and gather insights that will make our next big idea even stronger. I'm proud to work at a company that welcomes new ideas from all levels of the organization, while also investing in concepts that are smart for business and for the environment.



Diversity & Inclusion

Our employees, customers, suppliers, and community stakeholders touch all parts of the world economy and come from all walks of life. We're continuing to build a business that supports and celebrates diversity.



DIVERSITY AT A GLANCE

An Integrated Approach to Diversity & Inclusion

UPS is a global company—and is becoming even more so as much of the world's economic and population growth continues to occur in emerging markets. We must ensure that the demographics and experiences of our workforce and supply base reflect the wide range of customers we serve. These are among the reasons that UPS views diversity and inclusion as a top business priority.

We have the potential to do more and be more by integrating often disparate efforts into a well-coordinated strategy that leverages people and resources across a complex global organization. By cultivating a diverse and inclusive environment, we can increase talent engagement, foster innovation, enhance customer service, and ultimately drive better financial performance.

See how we're taking an integrated approach to diversity across our key stakeholder groups of employees, customers, suppliers, and communities, embracing the dynamics of different backgrounds, experiences, and perspectives to propel our growth.

Diversity & Inclusion Support Pillars

EMPLOYEES

Energizing a fair, inclusive, and authentic workplace for employees that embraces and invests in the growth of committed people who bring varied experiences, backgrounds, and expertise to every aspect of the business.

200+

Global
Business
Resource
Groups

CUSTOMERS

Supporting customers around the world who bring varied business opportunities and challenges, and growing together by ensuring success and well-being.

220+

Countries and
Territories



COMMUNITIES

Creating opportunities and empowering all people in the thousands of communities where UPSers live and do business every day.

\$15 Million

in Diversity & Inclusion Investments From The UPS Foundation



SUPPLIERS

Using combined expertise to serve customers' evolving needs and the sustainable growth of UPS.

\$2.6 Billion

Spent With Small & Diverse Suppliers in 2018



THE BRG COMMUNITY CONTINUES TO GROW

At a large company like UPS, it's natural for employees to want to find their niche. With hundreds of thousands of employees worldwide, it's also highly likely that employees of all backgrounds will be able to find others like them. Business Resource Groups (BRGs) help make those connections across 10 different communities: African American, Asian, Hispanic/Latino, Focus on Abilities, LGBT & Allies, Millennials, Multicultural, Veterans, Women's Leadership Development, and Working Parents.

BRGs enable employees to network, discuss their experiences in the workplace, take part in professional development, and participate in programs and events that support UPS as a whole. Each BRG community has multiple chapters, and the groups have continued their rapid growth, from 176 in 2017 to more than 200 in 2018. Demonstrating the importance of BRGs to our business growth, CEO David Abney and Chief Diversity & Inclusion Officer Eduardo Martinez held two question-and-answer sessions via videoconference with BRG chairs, co-chairs, and members during 2018. UPSers across the globe participated in the event, asking questions about how BRGs can support UPS's growth, building our millennial workforce and progressing toward our 20 million volunteer hours by 2020 goal.



WOMEN EXPORTERS PROGRAM

Creating Opportunity Through Trade

International trade is a powerful tool for connecting communities and creating economic empowerment. The success of globalization, however, is increasingly dependent on the effects of distribution and how well the benefits reach all segments of society. This means ensuring that small and medium businesses (SMBs), women, and rural communities are able to successfully participate in trade. That's the motivation behind several UPS initiatives that are helping to empower women entrepreneurs around the world.

Most recently, UPS and The UPS Foundation launched the Women Exporters Program. This is a training and communication program that will foster inclusive and sustainable development of women-owned businesses in an effort to unleash the economic power of women worldwide. The centerpiece of the program is a new partnership with the International Trade Centre (ITC), a global organization dedicated to women's economic empowerment and a recipient of a 2018 grant from The UPS Foundation. ITC will incorporate UPS content and technologies into its e-learning platform, SheTrades. The program will also connect participants with UPS partners worldwide, including Acción, Opportunity International, Kagider, and Graça Machel Trust, providing access to exporting tools, financing, and networks. Program managers continue to evaluate what topics to include on the SheTrades platform to best prepare women entrepreneurs for the world stage.

UPS extended this commitment by announcing a collaboration with the United States Agency for International Development (USAID) to further improve women entrepreneurs' ability to export. The UPS-USAID efforts are part of the White House's Women's Global Development and Prosperity Initiative and will support women through training and workforce development, entrepreneurial assistance, and addressing of regulatory barriers that disproportionately hinder women exporters. UPS and USAID will launch this program in Vietnam and the Philippines in 2019.

The UPS Foundation has also helped raise awareness about issues facing women entrepreneurs, many of whom leverage e-commerce to reach global markets. Working with the Global Innovation Forum, UPS released "New Faces of Trade: ASEAN Women in E-Commerce," featuring the success of women-owned businesses in Southeast Asia and drawing attention to the policy and regulatory obstacles they face.

The UPS Foundation's efforts build upon UPS's long-standing work in the Asia-Pacific region. The region is made up of a number of emerging economies and is expected to benefit from the conclusion of several major free-trade agreements in 2018. Since 2013, we have trained more than 3,000 SMB owners in Southeast Asia, Hong Kong, and Australia, as well as in countries across Latin America on the opportunities of international trade and the power of e-commerce.

1,000
Small and Medium
Business Owners Learned
From UPS About the
Opportunities of
International Trade



Turning Local Work Into Global Business

Thuy Nguyen, *Director of Sales and Marketing, Bobi Craft*



*Listen to your heart,
do what makes you
happy, and don't give
up when it feels hard.
There are resources
out there to help.*

Bobi Craft Now
Employs 450 People
98 percent
of Whom Are Women

Women entrepreneurs and small businesses are powerful engines of growth for the ASEAN region. [New Faces of Trade: ASEAN Women in E-Commerce](#), a 2018 report produced by the Global Innovation Forum with support from The UPS Foundation, shares insights from women exporters about the opportunities and challenges of expanding their business to international markets.

One of the companies profiled is Bobi Craft, whose mission is to empower women and create jobs for disadvantaged people by creating unique handmade children's products. The company was founded in 2011 by Thuy Nguyen in England, which provided strong export ties when the company began to flourish in 2013 following her return to Vietnam. Thuy now serves as Director of Sales and Marketing, and employs 450 people—98 percent of whom are women and many of whom work from their homes.

Thuy and her team use digital exporting tools, e-commerce platforms, and payments services to grow the business and reach more customers worldwide. UPS's logistics network and expertise enable global business, explains Thuy: "We began selling in the U.K., then expanded across Europe into other countries." Now, Bobi Craft exports to more than 10 countries, including the United States, Japan, Singapore, Indonesia, and Australia. International markets represent 60 percent of their business.

As Bobi Craft continues to grow, Thuy reflects on her own experience and offers this advice to female entrepreneurs thinking about taking their businesses global: "Listen to your heart, do what makes you happy, and don't give up when it feels hard. There are resources out there to help."



TRANSITIONAL LEARNING CENTER

Jobs That Know No Limits

In many ways, Bryce Clayton's career path is like that of any other ambitious young professional. His first job offered few opportunities for advancement, so he set his sights on UPS, where he hoped to build a career.

Bryce was hired by UPS, received his training and jumped right into his job responsibilities. Years later, he is now a supervisor at the Worldport facility, UPS's main air hub for global transportation, located in Louisville, Kentucky. His next goal is to become a hub manager. "The word 'can't' is not in my vocabulary at all," Bryce says.

What makes Bryce's story remarkable is that he came to UPS through the Transitional Learning Center (TLC), a cooperative effort between UPS and the Louisville-based Coalition for Workforce Diversity. The program is designed for people with a range of disabilities including Down syndrome, autism, and visual and hearing losses.

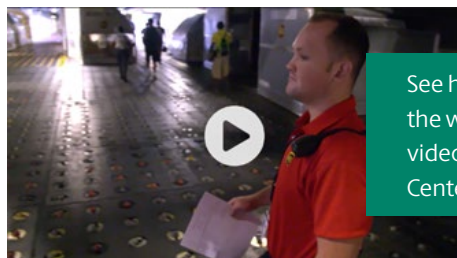
Individuals are placed with UPS by Options Unlimited, a nonprofit job placement service for those with disabilities. In groups of six or fewer, participants undergo two weeks of classroom and hands-on training covering UPS-specific methods and procedures, in addition to soft skills like teamwork and stress management. They are encouraged to try several different operational jobs to determine the best fit. TLC has graduated 304 employees since it was established in 2014. Many graduates, like Bryce, still work at UPS and have gone on to mentor others.

"You cannot prosper without being an inclusive company," says Scott Gregory, Training & Retention Manager at the Worldport facility. "This program gives different perspectives, it gives different points of view, and it makes folks challenge each other in the way we think. It's making our company better and stronger."

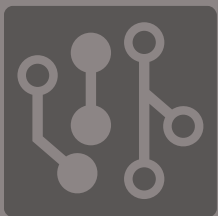


*The word 'can't'
is not in my
vocabulary at all*

Bryce Clayton, Part-Time
Worldport Operations Supervisor



See how the Transitional Learning Center at Worldport paved the way for a meaningful career for UPSer Bryce Clayton. This video received top honors at the prestigious Boston College Center for Corporate Citizenship Film Festival.



Innovative Technology

Advanced technologies are enabling packages to move seamlessly through our facilities—and helping us build a high-performing, efficient delivery fleet.



CENTRAL LONDON CENTRE

Powering Operations of the Future

Each night while the city of London sleeps, a fleet of UPS® package cars at the city's Camden sorting and delivery hub is plugged in—and making history. Never before have more electric vehicles been charged simultaneously at a single UPS facility. This breakthrough is made possible due to a partnership with multiple technology and infrastructure stakeholders, providing a glimpse of the future beyond the traditional internal combustion engine.

In the past, UPS could charge a maximum of 65 electric package cars at its Camden facility due to the limits on electricity capacity for the facility and the cost of upgrading the external power grid. Now, a smart grid using a central server connects to each electric vehicle (EV) charge post, as well as the grid power supply and the on-site energy storage.

While all vehicles are plugged into charging ports at once, the system staggers charging throughout the night, allocating electricity among each of the vehicles and the building's needs for lighting and sorting operation. By morning, all vehicles are fully charged. Eventually, UPS may be able to operate a fleet of 170 of these vehicles in London, all without adding new power capacity.

The effort, known as the Smart Electric Urban Logistics (SEUL) project, is a collaboration between UPS, U.K. Power Networks and Cross River Partnership, with funding secured from the U.K.'s Office for Low Emission Vehicles. It is a major win for the city of London, which faces significant air pollution challenges—and also represents the beginning of a transformation in sustainable urban delivery.

For example, we're testing the potential for batteries once used in UPS vehicles to be given a second life and repurposed for on-site energy storage. Together with a smart grid, this technology could pave the way for a UPS EV infrastructure strategy that dynamically makes use of a conventional power upgrade, on-site storage, and local power generation, including solar and other alternative sources. It's a promising step toward lowering the barriers to putting new EVs on the roads and addressing air quality challenges in the world's major cities.



3

Project Partners:
UPS, UK Power Networks,
Cross River Partnership



65

Electric Vehicles Deployed,
and Testing Smart-Grid
Technology to Increase
Capacity to 170 Vehicles

“ ”

Smart-grid and energy storage technologies like those UPS is pioneering are a critical step toward making electric vehicles cost-competitive with diesel.

Peter Harris, International Sustainability Director, UPS



NETWORK EFFICIENCY

Making Our Logistics Network Smarter Than Ever



We are accelerating innovative technology advancements that are enabling us—and our customers—to operate more efficiently and sustainably.

Juan Perez,
Chief Information and
Engineering Officer

OPTIMIZING EVERY LEVEL OF OPERATION



Network



Facility



Route



Delivery

When people think about our global logistics network, brown trucks and jumbo jets are top of mind. But that's just the start of a vast portfolio of assets, expertise, and advanced technologies that combine to provide our customers with a way to move materials from one point to another more efficiently than they could by themselves. Think of it this way: UPS provides a way for customers to “carpool” their goods rather than driving them on their own. That efficiency ultimately translates into sustainable benefits and avoided emissions.

The exponential growth of e-commerce, and the resulting increases in both package volume and delivery points, continues to place more demands on our network than ever before. It's one of the primary reasons we've embarked upon a transformation of our business. We are continually evolving our smart logistics network to incorporate real-time data, artificial intelligence, machine learning, and other technological advancements to take network efficiency to its next level of performance—from the point of sale to the last mile.

We are in the midst of a multi-year capital investment program to construct and renovate facilities with higher levels of automation, acquire new highly efficient aircraft and ground fleet vehicles, and enhance information technology platforms. In 2018, we opened 22 new and retro-fitted highly automated facilities globally, adding 5 million square feet with additional sorting capacity of 400,000 packages per hour across our network. These include the addition of five U.S. regional “super hubs” that increase the speed and flexibility for how packages are transported along the way to their final destinations. In 2019, we plan to add even more capacity at 20 new and retro-fitted facilities, including two regional “super hubs.”

All the new facilities incorporate UPS's latest in package processing and network planning technology, seamlessly integrating air and ground operations across the U.S. and around the globe.

Advanced Technology Deployments

Within these facilities and on the road, we also deployed several breakthrough technologies in 2018 that are enabling us to work in entirely new ways:

- UPSNav is a significant update to our On-Road Integrated Optimization and Navigation (ORION), providing UPS drivers with a new level of accuracy and precision navigation that's not available with conventional GPS. This is enabling our drivers to operate at top efficiency while improving our customers' experience.

- Network Planning Tools (NPT) combine advanced analytics, artificial intelligence, and operations research to more efficiently coordinate ground, air, and rail traffic between hubs to make the best use of sortation capacity.
- The Harmonized Enterprise Analytics Tool (HEAT) for hub operations creates more accurate forecasts about the package volume that will need to be processed within UPS facilities. HEAT generates network efficiencies and optimizes asset utilization while enabling us to provide top-notch customer service.
- New mobile tools speed training and enhance productivity for the 100,000 seasonal personnel UPS hired in 2018. One example is the Dynamic Sort Instruction, which transforms package sorting into a simple scan, listen, and sort process.

2018 FACILITY INVESTMENTS: AMERICAS & EUROPE REGIONS



New U.S. Super Hubs

Atlanta, GA
Dallas/Ft. Worth, TX
Indianapolis, IN
Phoenix, AZ
Salt Lake City, UT

New International Facilities

Dijon, France
Evry, France
Lummen, Belgium
Utrecht, Netherlands



22

New or Retrofitted
Highly Automated
Facilities



25–35%

More Efficient Than
Standard Facilities



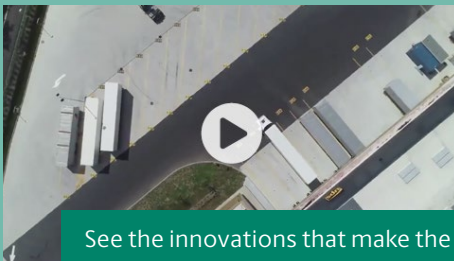
5 Million

Square Feet
Capacity Added



400,000

Additional Packages
Processed per Hour



See the innovations that make the UPS hub in Paris one of our most advanced sortation facilities in the world.

SUSTAINABLE BUILDING ATTRIBUTES

As we build new facilities, we are focused on environmental sustainability. For example, the new Paris hub is equipped with LED lighting, as well as rainwater barrels which collect water used for washing vehicles. During construction of the Atlanta facility, an on-site concrete batch plant saved approximately 8,700 truckloads from being driven through the streets of the city, and rubble from blasting activities was recycled back into site materials. A vehicle wash system using reclaimed water will save 29 million gallons of water per year, and energy management has been integrated with conveyor systems, stopping belts if no packages are detected. The facility earned Three Green Globes certification through the Green Building Initiative for these and other sustainable features.



ALTERNATIVE VEHICLES

The Latest News From the UPS Rolling Laboratory

Much of our work happens on the road. That's why UPS takes a "rolling laboratory" approach to its fleet, working with manufacturers, government agencies, and other stakeholders around the world to test prototypes in real-world scenarios before vehicles are ready for commercial deployment.

With one of the largest private commercial fleets in the world, this strategy not only gives us access to vehicles on the leading edge of technology, but it allows us to lead our industry and encourage manufacturers to innovate more fuel-efficient, safe, and affordable vehicles. See how our rolling lab expanded in 2018 below.



XOS

In collaboration with Xos (formerly Thor Trucks), UPS will test a fully-electric Class 6 delivery truck in Los Angeles, California. The truck will have a driving range of approximately 100 miles, powered by a lightweight and durable battery designed by Xos. UPS will test the truck for six months, including off-road evaluation to address durability, battery capacity, technical integration, engineering, and any issues found during on-road testing.



WORKHORSE

UPS and Workhorse Group, Inc. are working together to design a fleet of Class 5 electric delivery trucks from the ground up. We will deploy these electric vehicles at various U.S. locations that will deliver by day and recharge overnight, providing a clean, quiet experience in urban areas. The trucks plan to be comparable in acquisition cost to conventional-fueled trucks without any subsidies—an industry first that is breaking a key barrier to large-scale fleet adoption.



In today's business world it's not enough just to adapt to change. You'd better be leading the change—and UPS is doing just that with our investments in innovative fleet technology.

Carlton Rose, President of Global Fleet Maintenance & Engineering



ARRIVAL

Thanks to years of collaboration with U.K.-based technology firm ARRIVAL, UPS will soon have its first electric delivery vehicles in Europe purpose-built to our specifications. A pilot fleet will first be tested in London and Paris. The vehicles will come equipped with Advanced Driver Assistance Systems that help to improve safety and reduce driver fatigue. These features, combined with a highly advanced vehicle display, provide the driver with an intelligent, connected vehicle with zero tailpipe emissions.



TESLA

UPS will be among the first to use Tesla's new fully electric Semi tractors. We have reserved 125 of the vehicles, which are expected to achieve up to 500 miles of range on a single charge. The tractors come equipped with advanced safety features like automatic emergency braking, adaptive cruise control, automated lane guidance, and brake-by-wire and steer-by-wire with redundancy. To ensure the tractors are ready for stringent UPS use cases, we provided Tesla with real-world trucking lane information, which will help Tesla evaluate performance for the UPS duty cycle.



COMPRESSED NATURAL GAS

In 2018, UPS announced plans to build five additional compressed natural gas (CNG) fueling stations and add more than 700 new CNG vehicles, including 400 semi-tractors and 330 terminal trucks. The new CNG stations are located in Goodyear, Arizona, Plainfield, Indiana, Edgerton, Kansas, Fort Worth, Texas, and Arlington, Texas. The new semi-tractors were supplied by Freightliner and Kenworth, while the terminal trucks were supplied by TICO. Some of the new vehicles were deployed to use at our new CNG stations, while others were added to existing natural gas fleets in other locations.



RENEWABLE NATURAL GAS

Building CNG capacity is an important enabler for increasing UPS's use of renewable natural gas (RNG). UPS is the largest consumer of RNG in the transportation sector. Since 2014, we have used more than 28 million gallons of the fuel in our ground fleet, which reduces the need for fossil fuels by supporting the capture and use of harmful methane gas. We recently announced an agreement to purchase 170 million gallon equivalents of RNG through 2026 from Clean Energy Fuels Corp.

A Lower Carbon Footprint in the Air

Since 2005, UPS Airlines has reduced its carbon intensity by 13 percent through strategies focused on our aircraft fleet, aircraft weight, and aviation procedures. We increased oversight of our airline's footprint in 2018 with the creation of the Fuel Analytics and Sustainability Group. Here are a few other ways that we avoided greenhouse gas (GHG) emissions while in flight during 2018.

DISCRETIONARY FUEL REDUCTIONS

Historical flight plan data enables more accurate fuel requirements, allowing us to grant permission for planes to carry less reserve fuel on international flights, reducing weight and carbon emissions.

GHG Reduced

24,300

Metric Tonnes

JET ENGINE WASHING

Removes particulate matter accumulated during engine operation.

GHG Reduced

24,900

Metric Tonnes

FIRE-RESISTANT CONTAINERS

Enhance safety and weigh less than traditional containers.

GHG Reduced

7,700

Metric Tonnes

"WINGLET" MODIFICATIONS

Reduce drag and increase fuel efficiency by 3.6 percent per flight.

GHG Reduced

82,800

Metric Tonnes

A/C PACK ECO-CONTROL MODULES

Optimize air conditioning packs to reduce cruise fuel burn.

GHG Reduced

10,200

Metric Tonnes

POUNDS OF CO2 PER AVAILABLE TON MILE (ATM)

	2018	2017	2016	2005 BASELINE	2020 GOAL
Lbs CO2/ATM (Nautical Miles)	1.35 (13% reduction)	1.40	1.39	1.54	1.24 (20% reduction)
Lbs CO2/ATM (Statute Miles)	1.17 (13% reduction)	1.22	1.21	1.34	1.08 (20% reduction)





INDUSTRY INSIGHTS

Lessons From the Road to Fleet Electrification

UPS is making big investments in delivery vehicles that offer an alternative to the gas-powered internal combustion engine, including electric vehicles that produce zero tailpipe emissions. Of the vehicles we added to our fleet in 2018, 13 percent rely on alternative fuel or advanced technologies. We aim to increase this percentage to 25 percent by 2020.



Despite the complexity of transitioning commercial fleets to an electric future, the vehicle technologies and options to upgrade infrastructure are quickly improving. Continued industry collaboration will be critical to accelerate fleet electrification across a wide range of applications.

John Davies,
Vice President and
Senior Analyst,
GreenBiz Group

While electric vehicles often deliver a lower total cost of ownership, they often have a high initial purchase price, making large-scale investments a challenge. We have also encountered a scarcity of products that meet the unique needs of UPS's fleet.

We're not alone in these dilemmas. For UPS's third joint research study with GreenBiz, we explored the transition toward commercial fleet electrification, including barriers, motivators, and strategies for accelerating the market. The study included a web survey of the GreenBiz Intelligence

Panel, and interviews with fleet, facilities, and procurement professionals, as well as thought leaders in sustainability, energy, and logistics. Their feedback echoed much of what UPS has experienced in our own fleet electrification journey.

For example, sustainability aspirations are a primary motivator for large businesses choosing to electrify their fleets: 83 percent of respondents said this influenced their decision-making. Lowering total cost of ownership was an important consideration; however, cost was also a barrier, with 55 percent of companies saying that a prohibitive initial purchase price prevented them from investing more in electrification. Leaders also cited lack of EV charging infrastructure and lack of product availability as obstacles in their path.

92%

of Large Businesses Say
Their Own Organization Is
Well-equipped for On-site
EV Charging for Commercial
Vehicles

The study revealed possible avenues for improvement. For instance, it's well established that the transition to electrification will require strong collaboration among utilities, governments, Original Equipment Manufacturers, fleet customers, and other stakeholders. However, although 70 percent of survey respondents say they collaborate with suppliers, less than half are currently working with government or utilities on electrification solutions.

<50%

of Businesses Collaborate
With Government or Utilities
on Electrification Solutions

UPS is setting an example of the types of collaboration and innovation needed in our industry. In the U.S., we recently ordered electric-powered delivery trucks that we anticipate will be at cost parity with conventional diesel-powered vehicles. And in London, we found a solution for our charging needs through the Smart Electric Urban Logistics project, a public-private partnership piloting smart-grid technology. While we still have a distance to travel to reach our own EV aspirations, our hope is that these new insights will help our entire industry move forward to navigate the curves ahead.



MOTIVATORS FOR ELECTRIFICATION

- Sustainability goals
- Lower total cost of ownership
- Financial incentives
- Policy changes

BARRIERS TO ELECTRIFICATION

- Limited product availability
- High purchase price
- Inadequate facility charging



Collaborative Partnerships

Our business is deeply entwined with the customers we serve and cities in which we operate. A shared focus on sustainability and efficiency allows us to work toward common goals.



URBAN LOGISTICS SOLUTIONS

Rewriting the Urban Delivery Playbook, One City at a Time

Today, more than half of the world's population lives in cities. The share of urban dwellers is expected to increase over the coming decades. This growth is only adding to the already common challenges of emissions pollution and congestion, caused not only by an increasing number of residents but also by surging e-commerce and new business models like ridesharing.

UPS is helping address these issues through electric vehicles and a range of delivery solutions powered by bicycles and tricycles—all of which operate with zero emissions. Pedal-powered vehicles are more maneuverable than package cars and can often travel places that other vehicles can't, like bike lanes, sidewalks, and narrow city streets. They are ideal for making multiple deliveries in dense urban areas.

What began with one eBike in Hamburg, Germany, has expanded to more than 30 pilot projects in cities around the world. See some of our latest sustainable urban logistics solutions below.



SEATTLE

Seattle's historic Pike Place Market is one of the city's most popular attractions—and the city blocks surrounding it are notoriously congested. A pilot of UPS's pedal-assist cargo eBikes, combined with customized, modular trailers, will reduce truck idle time, double parking, and other issues associated with downtown deliveries.



CHICAGO

Delivery challenges are not the same at all times and in all places. Through a data-sharing pilot with City Tech Collaborative in Chicago, UPS is helping the city understand the relationship between urban package deliveries and congestion, with the goal of finding ways to make deliveries during less congested times.



HAMBURG

UPS's work to replace diesel vehicles with electric-assist and pedal-powered alternatives began in Hamburg in 2012. Today, four centrally located containers, known as Eco Hubs, serve as pickup points for package handlers using e-assist tricycles. The system removes up to 10 delivery vehicles from Hamburg's city center every weekday.



LONDON

As part of the Low Impact City Logistics project organized by Innovate UK, we piloted a last-mile solution in London that involves taking packages in load boxes in a vehicle pulled trailer to a central hub located within a busy urban area. The load boxes are then delivered to homes and businesses on an electrically assisted trailer that can be guided by a bicycle or walked on foot. The e-assist trailer features net-neutral technology, allowing handlers to move up to 200 kilograms of packages without strain. We plan to introduce the next generation of this solution in Dublin in 2019.



DUBLIN

E-trikes have fully replaced diesel delivery vehicles in central Dublin, which also uses an Eco Hub model to centralize delivery pickups. For the first time in this city, UPS ran a local competition to create artwork for the container. Today, the Eco Hub has transcended function and is now part of the art of the city.



MUNICH

Munich, another early adopter of urban logistics solutions, today uses a combination of standard bicycles and eBikes. The city was one of the first to pilot the e-trike built by Rytle, a German startup partnering with UPS in several European cities. We are now experimenting with a newly designed Rytle eBike that incorporates a removable and preloadable load box.



PARIS

In partnership with the City of Paris, the arrondissement administration, and Urban Lab, two eBikes took to the streets of Paris's 2nd arrondissement as part of a six-month pilot in early 2018. Early results were positive, and the city chose to extend the pilot into 2019 to study how the eBikes would perform during peak season and under different weather conditions.

A Smart & Sustainable Shipping Journey

Our customers want to ship more, with less impact. We offer sustainable solutions to help minimize the environmental impacts associated with their supply chains.

ANALYZING

An updated Carbon Impact Analysis solution uses a dashboard that allows customers to view their emissions data in multiple ways, such as by mode, service level, or business unit. Based on a customer's emissions, we offer optimization techniques that improve efficiency and reduce impact.



PACKAGING

Our Eco Responsible Packaging Program recognizes shippers who are committed to sustainable packaging. Shippers who meet criteria for damage prevention, appropriate sizing, and packaging material can participate. We also offer a packaging solution that enables customers to create a right-sized box for any item.



SHIPPING

[UPS carbon neutral shipping](#) is an easy, cost-effective way to offset GHG emissions from shipments of any size. With UPS Smart Pickup™ service, customers can schedule a pickup only when needed, avoiding unnecessary trips and emissions.



RECEIVING

[UPS My Choice® services](#) enable customers to adjust delivery times or locations, while [UPS Access Point™ locations](#) enable package pick up from a centralized location. These solutions increase customer convenience and help avoid unnecessary trips, miles, and emissions.

For customers in multiunit buildings, the Latch smart access device permits UPS drivers to enter buildings and deliver packages to a lobby or package room. This enables drivers to deliver more packages on the first attempt.



The UPS chatbot, now available on mobile phones and smart speakers, uses artificial intelligence to share information about package deliveries and other UPS® services. The chatbot integrates with UPS My Choice services, and provides a conversational interface that allows customers to ask questions like, "Are any packages coming to my house?"

RETURNING

We simplify returns with turnkey packaging, preprinted labels, and more than 150,000 convenient drop-off and pickup locations. UPS Returns™ Manager allows customers to print return labels directly from the UPS tracking results page and provides merchants with online management and visibility of returns. UPS's reverse logistics solutions also help customers reclaim and refurbish products to be used again.





POWER OF PARTNERSHIP

Advancing Sustainability With Innovative Partners

When it comes to finding sustainable ways to make use of the planet's resources, we are quite literally all in this together. UPS can only advance its sustainability goals by collaborating with those who manufacture our logistics assets, like vehicles and fuel. By the same token, UPS plays a role in helping companies in other industries reduce environmental impacts in their supply chains. Partnerships make it all possible. Here are a few ways UPS is working with others to allow all of us to reduce our footprints.

Closing the Loop on Packaging Waste

Few people remember a time when the milkman would deliver glass bottles filled with milk to families' homes, then return a few days later to collect the empty bottles to be cleaned and reused. This bygone business model is being reborn through Loop™, a groundbreaking system created by TerraCycle, an international recycling leader.

Loop provides a variety of consumer goods in reusable and returnable packaging. Customers order products online, then UPS delivers the items to the customer's door packaged in a durable Loop-branded "tote." Customers use the products, then UPS collects the tote with empty containers, which are then cleaned and refilled. Products are available from the world's largest consumer goods companies, including Procter & Gamble, Unilever, Nestlé, PepsiCo, Danone, Mars Petcare, and Mondelēz International.

UPS is a long-time logistics provider for TerraCycle, having helped the company navigate the complexities of moving goods across global borders. It was a natural next step for TerraCycle to ask UPS for input on the Loop concept and tote. UPS's Package Design and Test Lab provided design consultation, incorporating learnings from thousands of packaging tests that helped shape the final innovative tote. The lab also tested the reusable tote to ensure it could withstand high-volume shipping in UPS's facilities.

Loop is being piloted in the mid-Atlantic U.S. and Paris, with plans to expand to other cities through 2020.





Sharing Low-Carbon Solutions for Cities

UPS has been collaborating for years with various city partners and other stakeholders to develop and test innovative package delivery solutions in dense urban areas. In Europe, these partnerships are growing more critical as cities create pedestrian-only, as well as low- and zero-emissions zones targeted at easing congestion, reducing emissions, and improving life for urban residents.

One of these collaborations is the Low Carbon Vehicle Partnership (LCVP), a United Kingdom-based public-private membership organization that convenes stakeholders working toward reducing emissions from all forms of road transport, including cars, buses, and commercial vehicles. The partnership comprises nearly 200 organizations, with individual working groups developing and proposing topic-specific solutions for government, industry, and key stakeholders. With solutions like a workable definition for an “ultra-low emissions truck,” which could then be used by governments in programs that incentivize the uptake of these vehicles, the LCVP is leading the way for sustainable logistics in one of Europe's largest markets.



Influencing Air Freight Sustainability

Air freight is a critical component of our global logistics network, helping us quickly connect customers around the world. Currently, global air transport represents around 2 percent of total global carbon dioxide emissions, and its contribution is growing.

Today, renewable aviation biofuels are not feasible from a scale and economic perspective. However, we continue to support innovation that will accelerate the development of lower-carbon fuels for aviation. In 2018, UPS was among the first companies to join the Sustainable Air Freight Alliance (SAFA) organized by BSR (formerly Business for Social Responsibility). SAFA is a buyer-supplier collaboration for shippers, freight forwarders, and air freight carriers to track and reduce carbon dioxide emissions from air freight and promote responsible freight transport. Through this new forum, member companies learn best practices, share data tracking tools, and leverage collective action to shape international standards. These activities are reinforced by BSR's data-driven approach to measurement, reporting, and verification, enabling companies to chart a new course for sustainable air transport.



PERSPECTIVE

Envisioning Sustainable City Delivery From Package Pickup to Final Mile

Peter Harris, International Sustainability Director, UPS

Congestion is more than an inconvenience—it's also an economic issue. In 2018, across Britain, Germany, and the United States, the costs of traffic—including lost productivity and delays—totaled \$461 billion, or \$975 per person. And this doesn't include the costs associated with pollution caused by all those idling vehicles.

As cities continue to grow and become more crowded, policymakers, environmental organizations, and companies like UPS are working to create solutions for this issue. For example, London has introduced an Ultra Low Emissions Zone and has proposed a Zero Emissions Zone.

This creates implications for logistics and delivery companies, so we are collaborating with cities around the world to develop smart solutions that are both economically feasible and environmentally sustainable.

One of our first partnerships was with the city of Hamburg, Germany, in 2012, where we introduced a Cargo Cruiser eBike solution to serve pedestrian-only zones and other congested areas of town. We've since expanded these city collaborations across Europe and in the U.S.

While there is no silver bullet solution that works in every city scenario, one thing I've learned is that a blend of innovative technology and policy is essential. Accelerating technology advancements are now enabling us to think beyond the city center and envision a more complete zero-emissions system from package pickup to final mile delivery.



Pick-up

The journey begins with package pickup by an alternative fuel vehicle. In some areas of the U.K., it may be collected by a range-extended electric vehicle (RE-EV), which we've piloted since 2015 with Tevva Motors and plan to deploy in 2019. These vehicles use a small generator to charge the battery while driving outside city limits, then switch to battery power and operate as a zero-emissions vehicle within a city center. In addition to allowing zero emissions operation in key areas, this technology allows us to overcome the range limitations found in electric vehicles.



Processing

This RE-EV takes the package to our nearest center, which processes the parcel and loads it onto a freight truck. In the U.S., we are increasing investments in renewable natural gas (RNG) to fuel these vehicles. We are exploring options to shift our natural gas fleet in Europe to RNG. Using RNG enables us to turn methane, a greenhouse gas 28 times more damaging to the ozone than CO₂, into a clean burning fuel that has the energy to power heavy freight movements across our ground network. RNG provides a two-for-one solution by replacing diesel and other petroleum-based fuels, while also avoiding the release of methane into the atmosphere.



Delivery

In London, packages bound for congested areas or the Ultra Low Emissions Zone can be delivered by one of the 65 electric vehicles (EVs) deployed in our central London hub. The biggest challenge with fleet electrification is in balancing the fleet's charging requirements with the energy needs of sorting operations in the facility. In 2018, we joined a U.K. consortium to deploy smart-grid technology that enables simultaneous recharging of an entire fleet of EVs. This technology will allow us to increase the number of EVs in London from the current limit of 65 to all 170 trucks based there, while eliminating the need for expensive upgrades to the power supply grid.



Customer Convenience

Many cities are exploring ways to consolidate "final mile" deliveries at one location to reduce the number of vehicles on the road in urban centers. Through UPS My Choice® services and the UPS Access Point™ network, we're providing customers convenience and control over when and where they receive their packages, while also limiting additional delivery attempts—and the associated emissions.

This vision of an end-to-end sustainable delivery solution incorporates lessons we've learned from city partnerships over the years, including more than 30 pilot projects currently underway. We'll continue working with city officials, vehicle manufacturers, and other stakeholders to develop and deploy innovative logistics solutions with less impact.



Talent & Teamwork

UPS employees span the globe, and we're a proud and united team. With a focus on safety and the employee experience, we're in it for the long haul.



WHAT DO UPSERS SAY?



It came from the drivers, which is the beauty of the whole thing. They're out there every day driving, lifting packages, pushing their bodies, and they're a great example of the safety culture we should all strive for.

Mike Zakely
Health & Safety Director
Tempe, Arizona



I love seeing that no matter where we're from, we're built on the same foundation, and we've got a lot in common.

Hope McMahon
Package Car Driver
Dermott, Arkansas

SAFETY RELAY

Promoting Safety Around the Globe

One idea. Hundreds of UPSers. Tens of thousands of miles. And countless ways to stay accident- and injury-free. The UPS Safety Relay started small, but before long, it traveled—literally—around the world, connecting UPS employees with a message of camaraderie and teamwork. Learn about the challenge that has taken the UPS world by storm.

Where did the idea come from?

Jeremy Giles, a package car driver from Tempe, Arizona, was at home one night and saw an ad involving a relay baton. That led to a flash of inspiration: what if UPS had a “safety baton?” He and fellow driver Rod Palmer got to talking, met with their local safety committee, and the idea snowballed to become the UPS Safety Relay. UPS would create a set of batons to pass from one location to the next. When a location was holding a baton, they would be challenged to step up safety mentoring and training to operate accident- and injury-free.

“It’s like I was given a vision,” Giles says. “I know it sounds crazy, but I don’t know how else to put it.” What he didn’t expect was just how inspiring the challenge would be.

How did they get the word out?

Giles took to Twitter to reach UPS teams around the world. He created a handle for his center and began tagging his posts with the #UPSSafetyRelay hashtag. It turned out to be the perfect platform for communicating quickly and sharing widely. UPSers who wanted to participate reached out to Giles on Twitter. As the relay gained momentum, the social component helped capture interest across the world. Soon, Giles was receiving messages from facilities in Europe and Asia, asking when they could take a turn. Anyone following along could easily share and interact with the hashtag—which generated nearly 5 million impressions.

How did the challenge work?

The Tempe facility purchased six batons, and the first six facilities to respond to Giles’s rallying cry on Twitter got to kick off the relay. As other facilities joined in, Giles created a map of where the batons would travel. Each facility kept a baton for one week, during which they were challenged to go “0/0,” meaning zero auto accidents and zero injuries.



People call to thank me, but all I did was have the idea. It's the people on the ground who are making this happen. UPSers are innovative, and they keep coming up with new ways to show the batons and keep the excitement, all while working and driving safely.

Jeremy Giles

Package Car Driver
Tempe, Arizona

Throughout the week, the group took pictures with their baton and shared photos and videos of local safety training activities. Finally, each work group that successfully achieved 0/0 had their name etched on the baton.

Where did the batons travel?

Beyond visiting all 50 U.S. states and 30 other countries, UPS employees had fun photographing the batons in their workplaces and near local landmarks. Batons went surfing in Hawaii, hiking on the Appalachian Trail, and on a visit to the Washington Monument. They visited Russia's Red Square and temples in Indonesia. Northwest District Health & Safety Manager Mike McGuire was the first to break the international barrier, passing the baton at the Peace Arch Monument on the U.S.-Canada border.

But one of the most meaningful destinations was when McGuire took the baton to UPS founder Jim Casey's desk, on display at the district office in Seattle, Washington. "That one made me cry a little," Giles says. "I know Jim would have been proud."

What was the impact?

The UPS Safety Relay accomplished much more than promoting employee safety for a week. It ignited a cultural shift that has brought teams everywhere closer together. "People tell me they've never seen so much teamwork in their work groups," Giles says. "Walls have fallen and barriers are broken between hourly workers and management, and that's great to see."

Knowing the world was following along on social media also created a sense of pride. Many long-time drivers created Twitter accounts just to follow along and find photos to show their families. "Drivers came to see the relay as a badge of honor, and seeing photos from across the world opened people's eyes to how big our team really is," says Darren Sinden, Prairie Division Safety Supervisor, UPS Canada.



GLOBAL ROAD SAFETY INITIATIVE: *Advocating for Safer Roads for All*

UPS is now passing the baton of safety beyond the reaches of our company. At the World Economic Forum (WEF) in 2019, UPS joined the Global Road Safety Initiative, designed to improve global road safety across a broad spectrum of issues, including driver training, pedestrian safety, and two-wheeler helmet use, in collaboration with WEF and the Fédération Internationale de l'Automobile. The partnership will advocate for road safety legislation, improved data collection, and safer vehicles and infrastructure. For example, in India, where 10 percent of the world's road traffic fatalities occur, support from UPS and The UPS Foundation will provide helmets for youth in New Delhi, as well as other road safety programming and expertise sharing. The initiative forms a new cornerstone in UPS's ongoing focus on all areas of road safety.



EMPLOYEE EXPERIENCE

Preserving the Past, Preparing for Tomorrow

Throughout our 112-year history, UPS has reinvented itself again and again. We have transformed from messengers on bicycles to a nationwide package delivery company to a worldwide network of 481,000 UPS employees.

Today, we're on a mission to be bolder, faster, and more responsive. We're transforming every aspect of UPS from within, embracing a disruptor mindset that allows us to capture new opportunities and grow like never before. As we expand and enter new markets, we need employees to grow and innovate along with us. That's why reinventing the UPS employee experience is foundational to our transformation's success.

Reimagining the employee experience requires a thoughtful balance between the culture we've cultivated over the years and the new perspectives we need to take us into the future. We started this process by proactively assessing how we want our business to look in five to 10 years and identifying the capabilities to get us there. Next, we invested not only in those capabilities, but in opportunities for people who will support growth.

These transformative changes have required a shift in outlook—for our company and our people. As we make decisive changes, we are encouraging employees to be equally as bold. Our transformation is still underway. Here are a few actions we've taken to change what it's like to be part of the UPS team.

- Launching a new employment branding strategy, [Future You](#), to help candidates envision who they can become at UPS. It focuses on UPS's unique strengths as an industry-leading company that fosters collaboration and personal growth.
- Creating a new technology-enabled operating model for the Human Resources organization that positions UPS to better attract, develop, and retain talent, allowing HR leaders to focus on the division's critical priorities.

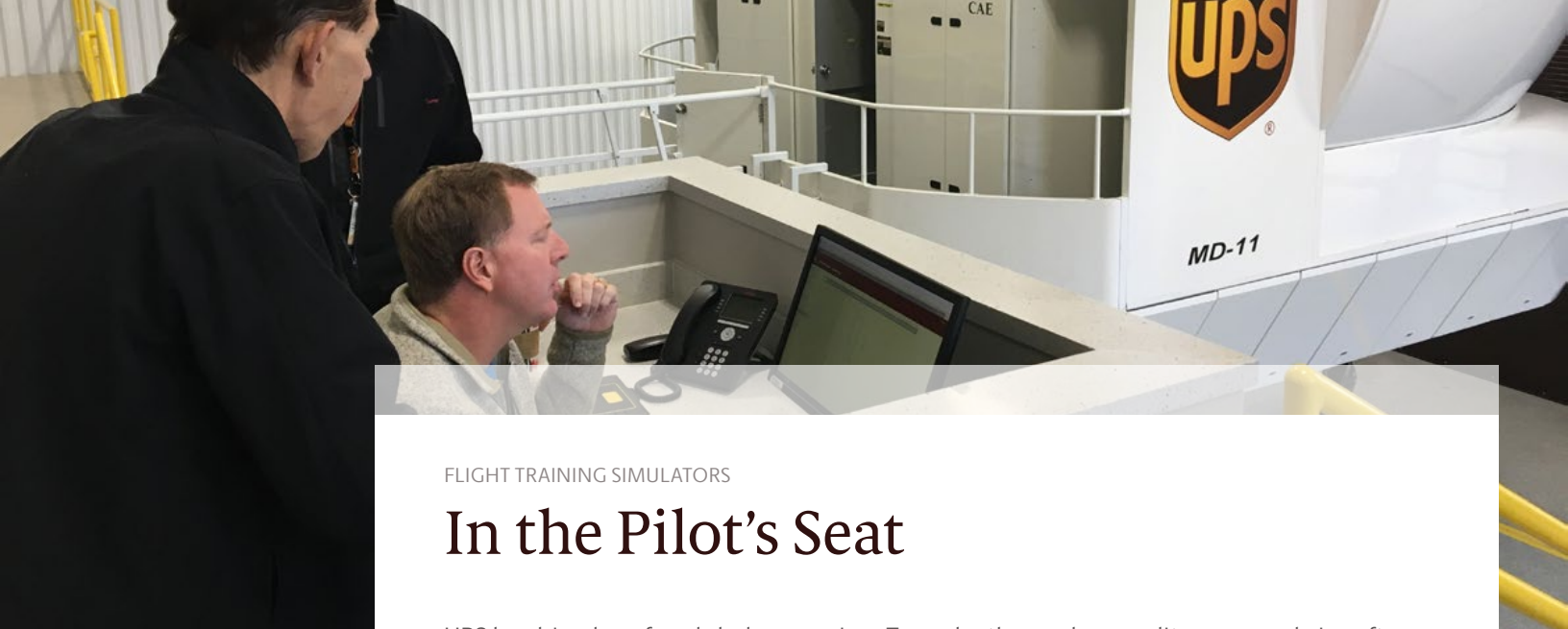
- Streamlining Health & Safety resources and processes to focus on risk control and personalized solutions. We are also shifting toward a mentoring approach to better instill a safety culture among new UPS employees.
- Ensuring all UPS employees have a voice and seat at the table. By deepening our commitment to inclusion and openness to new ideas, UPS will have its greatest chance at exponential growth.
- Encouraging innovative solutions and thinking from all employees. Initiatives like an internal startup and annual hackathons are inspiring UPS people to develop new ideas, like [Greenturn](#), and take initiative to make us a stronger company.
- Continuing to implement collaborative engagement tools and technologies that enable us to be more agile, act faster, and gather diverse ideas.

Transformation isn't easy, and it doesn't happen overnight. But we know UPS people will make the difference in our company's success. By creating new opportunities for employees, we will become more efficient, competitive, and prepared to lead.



LABOR AGREEMENT: *UPS and IBT Reach National Master Agreement*

UPS and the International Brotherhood of Teamsters (IBT) ratified a new National Master Agreement, effective Aug. 1, 2018 through July 31, 2023, for UPS small package and freight divisions. The master contract covers approximately 250,000 employees. Our goal during the contract negotiations was to reward employees for their contributions to the success of the company, while also enabling UPS to remain competitive and continue meeting the needs of our customers. This agreement ensures UPS is poised for continued growth and success in the coming years.



FLIGHT TRAINING SIMULATORS

In the Pilot's Seat

UPS has big plans for global expansion. To make these plans reality, we need aircraft that can carry goods around the world—and highly trained crewmembers to pilot planes safely. To ensure UPS pilots fly at the highest levels of safety, we are investing in technologies that will give them hands-on experience with situations they could experience in the air.

These technologies include new 747-400 and 767 full-motion flight simulators that match UPS's recent investments in aircraft and a new simulator for the long-range MD-11 fleet. The simulators are housed at the new Global Aviation Training Center (GATC) in Louisville, Kentucky, not far from our Worldport international air hub. The simulators bring UPS's total count of full-flight simulators to 11, located at the Worldport facility and in Anchorage, Alaska. This increased capacity will allow us to train an additional 462 pilots per year.

But we won't stop expanding there. While the GATC currently houses the three new full-flight simulators, it was built with four simulator bays to allow for future growth and technology advancements. As UPS continues to grow and technology improves even further, we will add a fourth simulator to help keep crewmembers on the cutting edge of training.

GATC is future-proofed in other ways, too. Simulators in the 28,000-square-foot facility use electric motion and control loading systems that reduce power consumption by 70 percent compared to hydraulic-powered systems, and all simulators have redundant cooling and power backup. The building is in the process of receiving LEED certification. Training rooms also allow for videoconferencing and communication with other training facilities—so the lessons learned at this state-of-the-art center can be shared with others.



RECRUITMENT

Growing the UPS Team

“What does it mean to be a UPSer?” our [latest recruiting video](#) on social media asks. Viewers asked themselves this question as well—more than 1.6 million times.

That’s the type of response we need to support ongoing hiring needs, including bringing on more than 100,000 employees each holiday season to keep pace with our company’s rapid growth. The video introduced prospective employees to Future You, our new employment branding strategy and the centerpiece of our recruitment efforts. Future You content was developed in 12 languages and shared on social media, on the UPS jobs website, in hiring initiatives, and in career fair collateral. Improvements to the professional hiring process also included a new job definition process, which has led to faster responses to job postings. In addition, we have established key performance indicators and talent advisor guides to help standardize recruitment practices.

Our biggest day of the year for hiring was Brown Friday in October, during which we connected with more than 50,000 candidates interested in opportunities during the peak season. We hosted more than 170 hiring fairs nationwide.

We are also working to attract a diverse workforce throughout the year, launching a new integrated recruiting strategy for reaching colleges and universities, diverse organizations, and veterans. In line with this strategy, we piloted a college brand ambassador program through which summer interns returned to their campuses and represented UPS during the fall semester. A social campaign related to this effort resulted in more than 4.2 million impressions.

At a new sortation and distribution center in Atlanta, we took a special approach. UPS created more than 3,000 new jobs for Atlanta residents and partnered with the Center for Working Families and the United Way of Greater Atlanta to recruit and hire employees, especially veterans. The Center for Working Families developed an innovative program, now called the UPS Community Recruitment Initiative, which acts as a centralized talent pool for ready-to-work job candidates who live near the Atlanta facility. To further serve the thousands of employees from surrounding communities now working for UPS, Atlanta’s public transit network installed its first stop on private property at the new UPS site.

Being a UPSer “starts with moving forward—as an individual, as a team, as a global difference-maker,” the Future You video explains. We’re pleased to welcome the thousands of employees who have recently joined the team.



SAFETY DATA

Crunching the Numbers on Safety

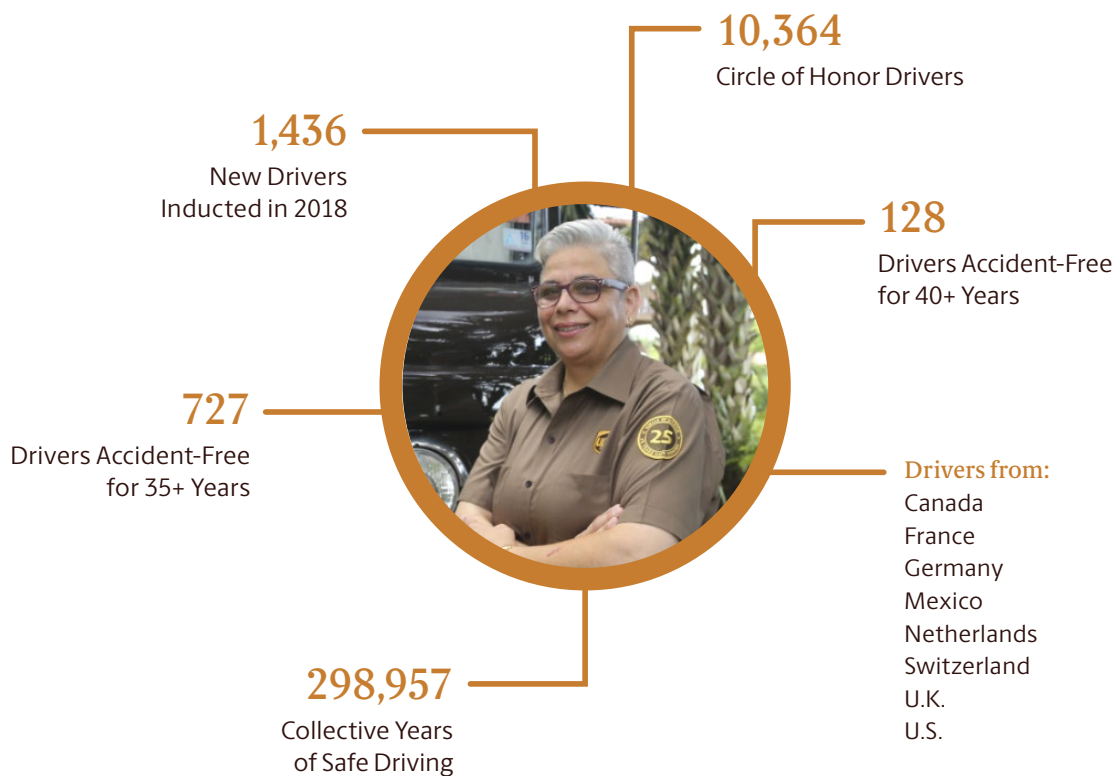
As UPS grows, we have more drivers on the road and more package handlers working in sortation facilities. While UPS provides comprehensive training and robust safety programs, this increased complexity brings increased safety risks. To better understand the scope and underlying causes of these risks, we assembled data from 2013 to 2017 to see what factors affected the likelihood of vehicle crashes and days away, restricted, or transferred (DART) incidents. Some findings confirmed our assumptions, while others took us by surprise:

- **Long work days.** Routes that result in work days longer than a center's average dispatch time can be an indicator for higher risk of auto crashes and DART incidents. We aim to ensure dispatch times are more uniform.
- **New employees.** Employees who have been with UPS for less than one year are more likely to be involved in a safety incident than more experienced ones. To decrease this risk, we are expanding safety training as part of the onboarding process.
- **Management turnover.** Turnover of managers and supervisors is another predictor of DART and crash rates. This underscores the importance of retaining talented people who want to grow with UPS.
- **Automation.** As we implement automation technology, UPSers may be deployed to more complex jobs. We provide targeted training for those roles in an effort to prevent increased DART incident rates.

UPS has shared these findings with leaders across our operations. Using an analytics model created in partnership with Liberty Mutual, teams can explore other predictors of safety performance and build health and safety strategies driven by data.

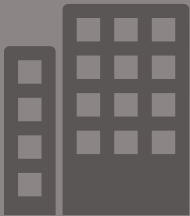
Circle of Honor: Honoring UPS's Safest Drivers

A perfect example of safety done right can be found among UPS's Circle of Honor, which recognizes UPS drivers who have gone 25 years or more without a preventable crash. All Circle of Honor members receive uniform shirts and jackets with the distinctive Circle of Honor patch sewn on the left shoulder, where it can be seen by others. In 2018, we were proud to welcome more than 1,000 new members into this venerable group.



COMMUNITY ROAD SAFETY: Extending Our Safety Expertise

Given UPS's leadership in safe driving performance, it's only natural for us to share our expertise with the communities we serve. We're doing so through UPS Road Code™, a safe driving program for teens and other novice drivers offered in conjunction with the Boys & Girls Clubs of America and other youth development organizations. The program is taught by UPS volunteers using UPS's own safe driving methods. To date, more than 58,000 new drivers have participated in Canada, China, Germany, Mexico, the United Arab Emirates, U.K., and U.S. The UPS Foundation contributed more than \$3 million to the UPS Road Code program in 2018, and over \$22 million since the program's inception in 2009.



Community Resilience

Logistics isn't just about delivering packages and freight. It's also about managing the flow of medical aid in remote areas and relief supplies in the wake of disaster. Our network is up to the task.



SKILLS-BASED DISASTER SUPPORT

Expertise in Times of Crisis

In the face of a crisis, monetary and in-kind donations made by The UPS Foundation can make a big difference to the communities that receive them. But perhaps the most valuable asset we can contribute is our knowledge and logistics expertise.

The Logistics Emergency Team (LET), a partnership between UPS and other leading logistics and transportation companies, has been on the front lines of disaster relief for more than 10 years. The LET provides expertise and response services to the Global Logistics Cluster of the United Nations led by the World Food Programme. Since 2007, UPS responders have deployed to more than a dozen countries to enhance disaster preparedness, response, and resilience.

As disasters increase in severity and frequency, we are helping LET intensify its capacity for response as well. UPS now supports training workshops for LET responders, including one for the first group in the Middle East. These workshops train responders to provide more precise, region-specific information to the Global Logistics Cluster, which in turn helps the Cluster more efficiently transport relief supplies while avoiding the bottlenecks that often occur in the wake of disasters.

For example, in the aftermath of the earthquake and tsunami that struck the Indonesian city of Palu in 2018, a UPS LET representative coordinated with the Global Logistics Cluster to deliver five trucks for use in daily shipments across the region. By chance, a planned LET training workshop was taking place in Indonesia at the same time, allowing the LET to set up an immediate response plan in a real-time disaster environment.

UPS has also built upon the LET approach by establishing UPS Logistics Action Teams (LATs) to provide support and help speed relief to communities affected by natural disasters in the U.S. Working with the American Red Cross since 2011, LATs leverage UPS's transportation network, logistics expertise, and far-reaching employee volunteer base. The 2015 acquisition of Coyote Logistics and its market-leading transportation management applications has enabled us to further expand this program to serve larger geographical regions.

We have also established the UPS Humanitarian Experts on Mission Program, which places UPS logistics experts on long-term assignment to our partner organizations. One of these experts is Jim Coughlan, a UPSer for more than 30 years. Coughlan helped increase The UPS Foundation's impact when he recognized that the supply chain expertise UPS often shared with customers could also be used to address public health and humanitarian challenges. After a brief retirement, Coughlan was invited by The UPS Foundation to share these practices as a Supply Chain Expert on Mission.

Today, he and three others travel the globe to provide support for leading humanitarian agencies such as United Nations High Commissioner for Refugees (UNHCR), the World Food Programme, Gavi, and The Global Fund. "I've traveled to many remote and difficult environments and countries during this part of my life," Coughlan says. "And each of the people I meet, NGO partners, or families living in remote villages of these countries are extremely appreciative of what UPS and The UPS Foundation are accomplishing. We have an obligation to help, and our help is needed and welcomed."

No matter how robust a local supply chain, a major disaster can change everything in an instant. When the unthinkable happens, UPS experts are ready to respond, coordinating the supplies and support needed to get communities back on track.



HUMANITARIAN RELIEF

Support Before & After Disaster Strikes

The effects of a disaster continue long after flames extinguish or flood waters recede. The lasting impact on communities depends on many factors, from the documentation of physical infrastructure in place before a crisis and coordination among relief partners, to the scope and duration of recovery efforts.

Knowing that every stage—from years before to years after a disaster strikes—affects a community's long-term outcomes, The UPS Foundation aims to provide integrated support to help communities prepare, respond, and recover. Here are a few of the ways we helped in 2018:

Prepare

The UPS Foundation provides loaned managers, technical assistance, and global thought leadership to help communities and relief partners expand their capacity and reduce risk in advance of disasters.

- Launched a Community Pandemic Preparedness Program in Uganda, helping the Red Cross reach out to small businesses and conduct disaster resilience workshops.
- Celebrated the five-year anniversary of Saglam Kobi, a suite of online tools and workshops designed to increase disaster preparedness. We expanded access to these tools by working with the U.S. Chamber of Commerce Foundation to create the "[Resilience in a Box](#)" toolkit.
- Collaborated with Mexico's National Center to Support Epidemiological Contingencies and Disasters (CENACED) to develop resilience workshops for small and medium enterprises in Mexico City.





Respond

During sudden-onset disasters and complex emergencies, UPS mobilizes logistics experts and our global delivery network to transport urgent relief items to communities in crisis.

- In 2018, The UPS Foundation responded to 29 disasters around the world. We donated more than \$2 million in the wake of Hurricanes Florence and Michael, funded more than 200 shipments of supplies, and coordinated relief efforts on the ground.
- Contributed \$400,000 to the American Red Cross Annual Disaster Giving Fund, enabling the organization to open shelters to serve those left homeless by wildfires in California, as well as provide supplies to fire survivors and responders.
- Provided funding, technical, and in-kind support to relief partners in Indonesia after an earthquake and subsequent tsunami struck the island of Sulawesi.



Recover

A core mission of The UPS Foundation's Humanitarian Relief & Resilience Program is seeing areas impacted by disaster through to recovery—even if it takes years.

- Shipped construction and building materials to communities still recovering from Hurricane Harvey and sent 53 relief shipments on behalf of UNICEF to those affected by Hurricanes Irma and Maria.
- Transported shelter supplies to a refugee camp in Bangladesh for refugees fleeing violence in Myanmar and partnered with the Salvation Army to install solar-powered LED lighting in temporary housing.



HEALTHCARE LOGISTICS

Delivering Care Where It's Needed Most

Part of The UPS Foundation's mission is strengthening communities' capacity to handle crises and disasters. That resilience-building relies on strong relationships where our global logistics network and the experience of UPSers can make meaningful change. One such partnership is with Gavi, the Vaccine Alliance, an organization we work with to improve health coverage and prevent millions of deaths through the distribution of vaccines.

"UPS has been an amazing supporter of Gavi and our outreach programs to provide vaccines and care to developing countries," says Seth Berkley, CEO of Gavi. "UPS shines by going beyond traditional philanthropy of money and service donations. Supply chain experts improved our network to allow us to extend the base of the pyramid for primary healthcare, and the training provided by their loaned manager program has helped us improve coverage and equity in underserved countries as we build solid foundations for the global health community."

UPS's connection with Gavi began as one of the first partner organizations to test The UPS Foundation's Humanitarian Expert on Mission program. With the help of UPSer Kevin Etter's three decades of logistics training, the Strategic Training Executive Programme was devised to educate locals in supply chain management so that temperature-sensitive vaccines could be safely transported to reach communities.

In 2016, UPS and Gavi collaborated with a drone company, Zipline, in support of the Rwandan government to pioneer unmanned aerial vehicles for humanitarian use. The system, designed to bypass washed-out roads and other infrastructure challenges, launched to serve 10 million Rwandans throughout the country and reach 12 hospitals. In 2018, the service expanded to cover more of the country to deliver essential medical supplies in 30 minutes that could have taken days by road.

"UPS has been a true partner in helping Gavi realize its vision of saving children's lives and protecting people's health by increasing equitable use of vaccines in lower-income countries," Berkley says. "Together, we are making life-saving vaccines available to everyone who needs them, regardless of their ability to pay."



DEVELOPING SUPPLY CHAINS

Logistics That Save Lives

Technologies like drones are enabling important breakthroughs in the delivery of medical supplies to remote areas. We recognize these types of innovations are most effective when combined with efforts to improve the overall supply chain.

For example, in many low- and middle-income countries, it is not only distance, but also inefficient supply chains that stand in the way of better health outcomes. To ensure the long-term availability of critical medicines and supplies worldwide, The UPS Foundation is partnering with the World Bank's Global Financing Facility (GFF), Merck for Mothers, and the Bill & Melinda Gates Foundation to improve the effectiveness and efficiency of supply chains that deliver healthcare products in emerging economies.

UPS's best practices around logistics issues such as transport, warehousing, and distribution will be shared with governments supported by GFF. With GFF and other partners, we will help scale proven supply chain innovations, support supply chain reforms, and enhance governments' capacity to work with private-sector logistics operators to ensure delivery to the last mile. UPS also will begin the partnership by loaning a manager to GFF in Mozambique to develop initiatives to strengthen the country's health system.

UPS also engages with Ministers of Health, as well as UPS's authorized service agents operating in these regions, to develop unique solutions to address the specific needs of communities. In Uganda, UPS's partnership operates a fleet of refrigerated delivery trucks, motorcycles, and boats that provide scheduled delivery service to health centers. The service uses a custom app to provide delivery confirmation information, which was previously unavailable. Throughout the shipping process, wireless temperature sensors ensure safe storage and delivery of sensitive contents. This network has increased vaccine availability to communities served by 171 health facilities across Uganda.

"UPS understands the value of sharing its logistics and supply chain expertise with vulnerable communities, and we know that improving the efficiency and resilience of their supply chains can help save lives," says Eduardo Martinez, president of The UPS Foundation. "It's a priority for us to support important initiatives like this one that bring about quantum change in the health of communities and create a model that can be replicated to strengthen public health systems around the globe."



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