

Community



Philanthropy, Volunteerism and Urgent Humanitarian Relief

Community and society are not abstract concepts for UPS. We see communities of all kinds from the ground up, every business day, all around the world, from inner cities to rural villages. We consciously strive to make a positive difference in society both in the way we operate our business and in the way we give back to our communities. Along with our core businesses of transportation and logistics services, we also share expertise and business acumen. At the same time, we supplement the resources of communities by providing our people with good jobs and providing community organizations with charitable contributions and volunteers.

Our business benefits society by aggregating the shipping activity of millions of organizations and individuals into a single, highly efficient intermodal logistics network. Like a bus or subway system that helps take many cars off the road, our network takes 2 percent of global GDP and makes the associated logistics more efficient in terms of energy and emissions. This makes it possible for sellers to reach buyers in a more efficient and environmentally responsible way. Furthermore, at UPS we continually strive for decarbonization synergy among multiple modes of transport and with our customers' supply chains. A complete description of this effort is provided in "Environment" beginning on [page 44](#).

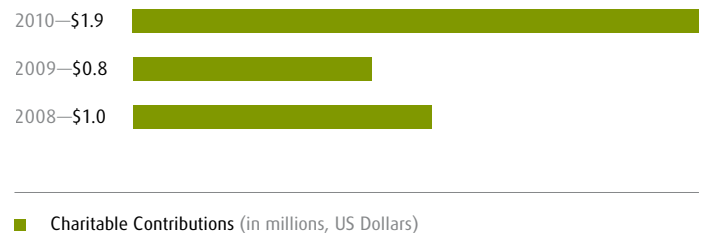
We create a number of additional benefits for society through the operation of our business. These include spending US\$826 million with small and diverse and entrepreneurial vendors. More information on this topic is provided in "Marketplace" on [page 35](#).

In addition, we actively support organizations whose mission is to support small and diverse businesses, including:

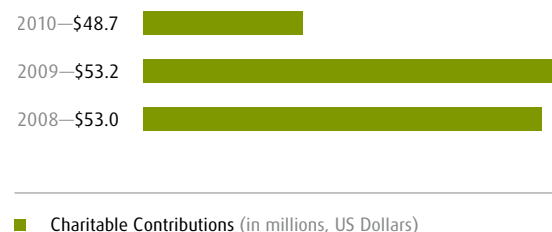
- National Association of Women Business Owners
- Minority Business Development Agency
- National Gay and Lesbian Chamber of Commerce
- National Minority Supplier Development Council
- National Urban League
- National Veteran-Owned Business Association
- Native American Business Alliance
- U.S. Hispanic Chamber of Commerce
- U.S. Pan Asian American Chamber of Commerce
- Women's Business Enterprise National Council

UPS leads the industry in charitable giving, managed primarily by The UPS Foundation. We established the Foundation in 1951 to "accomplish good purposes," in the words of UPS founder Jim Casey, and we fund it from our operating profits. UPS employees and retirees also contribute generously to the United Way campaign each year in North America (the United States, Mexico and Canada). We track the combination of corporate and employee contributions with the Key Performance Indicator shown below. Total charitable contributions were US\$97.1 million in 2010, below the levels in 2008 and 2009 and below our ambitious goal for 2011. When we set the goal, both employment (a significant factor in employee United Way donations) and operating profits (the source of corporate philanthropy) were rising. The recession of 2007-2009 reversed both trends in the short term, and that in turn affected total philanthropic contributions in 2010. Our commitment to philanthropy, at the corporate and individual level, remains strong. For example, UPS employees again logged 1.2 million volunteer hours in 2010—the same amount as in 2009 but with a smaller workforce.

Total In-Kind Transportation Movements—
Global Operations



Total United Way Donations—
Global Operations excluding UPS Freight



The UPS Foundation.

The UPS Foundation directs financial and non-monetary contributions to organizations that support the changing needs of communities in five areas: Diversity, Community Safety, Environmental Sustainability, Nonprofit Effectiveness, and Economic and Global Literacy. The Foundation manages its grants globally, nationally and locally. Total charitable contributions in 2010 by The UPS Foundation increased to US\$46.5 million from US\$44.4 million in 2009. Both financial and in-kind donations increased year-over-year, including substantial donations of in-kind transport and logistics services for disaster relief in Haiti and other countries. Funding directed outside the United States rose to 20 percent of the total in 2010, an increase from 16 percent in 2009 and, 13 percent in 2007.

In 2010, The Foundation continued to focus its resources on a smaller number of grantee organizations to strengthen its relationships and financial commitments. As a result, the number of nonprofit organizations receiving Foundation philanthropy was approximately 2,800, down from more than 3,000 in 2009. This year we are including agencies processed through the UPS Region/District charity programs in the count of the grantee organizations. Following the same methodology, the expanded scope caused 2009 reported grantee organizations to increase from 1,600 to more than 3,000. Nearly 50 percent of these organizations are local to their community, and many are recommended to The Foundation by employees who have contributed more than 50 volunteer hours to the organization. We believe that the combination of financial or in-kind support from The Foundation and hands-on volunteer time from UPS employees significantly increases the likelihood of a positive result for a grantee organization and its constituents.

Our UPS Road CodeSM safe-driving program for teenagers provides a large-scale example of this combination. The program is offered in conjunction with Boys & Girls Clubs of America. It was developed and rolled out with a three-year grant from The Foundation, and it is taught by UPS volunteers. The four-session training program is based on UPS's own safe driving methods. It features a computer driving simulator and a "driving" test that enables teens to get immediate feedback on how much they have learned. UPS Road Code was offered in 13 cities in the U.S. and the program was expanded into the United Kingdom, with UK Youth, Ltd. More than 2,216 youths participated in 2010.

The Foundation continued its Global Signature partnership with the World Association of Girl Guides and Girl Scouts (WAGGGS) in 2010. Foundation funding has helped WAGGGS to increase the recruitment and retention of volunteers; to support volunteers through training and self-development; and to introduce a system to monitor and appraise volunteer leadership in Brazil, China, Malaysia, Mexico, and South Africa. The Foundation's current multi-year grant to WAGGGS includes several key initiatives including a leadership development series for exceptional candidates, development of a robust e-Learning training program, and global environmental sustainability advocacy programs focusing on carbon reduction and resource conservation.

Micro-lending is one of the ways that UPS supports global trade and the rise of entrepreneurship around the world. The UPS Foundation supports two micro-lending organizations. The two organizations supported by the Foundation help individual entrepreneurs start businesses, create jobs, build assets, and improve the standard of living for their families:

- Opportunity International is helping more than 1.4 million active loan clients and entrepreneurs in 20 developing countries.
- ACCION International works with partners in 31 countries to reach more than 4.9 million active clients with loans and financial services.

Organizational responsibility for executing our philanthropic policies rests with Ken Sternad, President, The UPS Foundation. More information about The UPS Foundation is available online.

The UPS Foundation: 2010 Programs and Highlights

- Global philanthropy increased to US\$46.5 million, benefiting nearly 2,800 nonprofit organizations.
- In-kind donations of transportation and logistics services reached their highest level ever, at US\$1.9 million, primarily including disaster relief for Haiti.
- International grants increased to 20 percent of total funding.
- Nearly 50 percent of grant recipients are local and community-based, with many selected based on recommendations from UPS employees.
- The Foundation expanded its Global Signature Program with World Association of Girl Guides and Girl Scouts (WAGGGS).
- Funding for humanitarian relief organizations included support for American Red Cross, UNICEF, the World Food Programme, CARE, and the Aidmatrix Foundation.
- Foundation support continued for micro-lending organizations around the world, including Opportunity International and ACCION International.
- UPS Road CodeSM, a multimedia safe-driving program for teenagers funded by a Foundation grant, expanded to 13 cities around the United States and was introduced to the United Kingdom.

United Way Contributions.

UPS employees have a long history of donating generously to the annual United Way campaign. A total of 229,655 active employees and 105 retirees participated for the 2010 pledge year, raising US\$48.7 million. UPS remains the top corporate contributor to United Way over time, with more than US\$1 billion in total support since the partnership began in 1982. A stakeholder perspective on UPS's relationship with United Way is provided to the right. We provide a multi-year quantitative view of United Way contributions by UPS employees and retirees shown below. Results for the 2010 campaign were lower than in 2009 primarily because we had fewer employees in the U.S. after intentional downsizing through attrition during the recession and a market-driven reorganization of our U.S. Domestic Package segment early in 2010.

KEY PERFORMANCE INDICATOR

Total Charitable Contributions,
Global Operations, excluding UPS Freight. Includes The UPS Foundation grants, in-kind services and employee/retiree donations to United Way (U.S. Dollars in millions)

Below
Goal

Charitable contributions decreased in 2010.



■ Actual Data ■ Goal

STAKEHOLDER STATEMENT

United Way



When companies join the Global Corporate Leadership program, we look for them to move beyond the United Way workplace giving campaign and into a much broader relationship with us. One aspect is helping us take our work outside the U.S.—United Way Worldwide is now operating in 41 countries. Another is expanding their volunteer programs. In return, we help our partners achieve their own corporate citizenship goals.

UPS is at the front of the line when it comes to this kind of stakeholder engagement, and there are historical reasons for that. Our organizations have a 29-year history together, and over that time the employees, retirees and foundation of UPS have raised more than US\$1 billion for communities in partnership with United Way—more than any other company. UPS employees also sit on many local United Way boards in the U.S.

I believe this level of support comes from some shared cultural characteristics. Both our organizations appreciate efficiency and getting results. On a day-to-day basis, UPS drivers see the same thing that United Way does: the state of local communities and what their needs are. That is a strong overlay with what we do. UPS trusts that United Way knows what the issues are for communities, and how to address them.

Because of that trust, and the integration of our two organizations, we're always finding new opportunities to partner. It can be local or global. As part of our recovery work in the Gulf Coast improving financial stability for individuals and families, UPS sponsored the rebuilding of two homes destroyed by Hurricane Katrina—and that included 50 UPSers who showed up to physically rebuild each home. When we prepared to launch United Way Worldwide in 2009, UPS offered us practical insight into how to create an efficient global organization, and also provided a grant to help set it up. This is the kind of Global Corporate Leadership partner we look for, and it's what we have in UPS.

—Tracy Nilles
Vice President, Global Corporate Leadership, United Way

UPS Volunteer Hours

Activity	% OF TOTAL
Board Activities	8.0%
Coaching & Recreational Activities	24.6%
Fundraising, Conferences & Special Events	22.8%
Health & Wellness	8.0%
Renovation, Revitalization & Repair	7.6%
Teaching, Training & Tutoring	14.9%
Other	14.1%
	100.0%

Total UPS Volunteer hours include hours volunteered by Employees, Retirees, Family and Friends in the United States, Canada, and Puerto Rico.

Employee Volunteerism.

We believe that one of the best examples of UPS's corporate culture is the commitment of UPS employees and their families to serve in their communities. In 2010, they contributed 1.2 million hours of volunteer service to community organizations. This is the same high level they reached in 2009, when the workforce was larger. During Global Volunteer Month in October 2010, more than 28,000 people in 50 countries donated 250,000 hours of their time. The UPS Foundation pledged a total of US\$100,000 to community organizations on behalf of ten UPS employees who participated in Global Volunteer Month community service projects.

Urgent Humanitarian Relief Efforts Expand.

Each year, UPS provides funding, expertise and in-kind donations of services and facilities to agencies providing urgent humanitarian aid and disaster relief around the world. In 2010, The UPS Foundation supported the world's most respected relief organizations, including the American Red Cross, UNICEF, the U.N. World Food Programme, CARE, and the Aidmatrix Foundation. In addition to Foundation activities, UPS as a whole continued to expand its international humanitarian relief role. We responded within hours of the major earthquake that struck Haiti in January of 2010, pledging and providing both financial aid, skilled volunteers and in-kind support (see sidebar on [page 77](#)). We also donated air transport of specialized equipment used to free 33 miners trapped far underground in Chile.

STAKEHOLDER STATEMENT

CARE



Like all successful NGOs, CARE is driven by mission. Our resources go to the mission, and we look for complementary resources that support it. So when we formed our partnership with UPS, we explained that we wanted more than financial support. We wanted them to improve how we accomplish our mission.

They understood and came forward. They spent two months assessing our network in different parts of the world, so that they could help us improve our supply chain. They make their planes, trucks and warehouses available to us. They provide access to people, technology and other organizations that they support. In all this, UPS is proving its commitment to humanitarian aid, and that is an area where we can support them. Our relationship is working on so many levels, you could say that we have a "vertically integrated" partnership.

It helps to have similar values. For example, it is seamless for CARE and UPS to work together, because both organizations are egalitarian and performance-driven. We both operate all around the world, with people of all nations. We have an easy conversation about what to do and how to achieve it.

For example, after a cyclone hit Myanmar in 2008, the border did not open right away. So, working with UPS, we staged relief supplies as close to the disaster as we could. When the border opened, we were ready. New ideas like this become standard operating procedure very quickly. And when we have ideas, they listen. They've introduced new technology solutions that strengthen our supply chain and ultimately our local response capabilities. For example, we were able to field-test and validate an inventory automation solution during the Haiti earthquake response. We're now using it there and in other contexts globally to increase our service delivery accountability.

In today's world, it is not enough for an NGO to say, "we do good." NGOs have to deliver a lot more, and their corporate partners need to step up as well. We are seeing increased interest by corporate partners to collaborate in ways that go beyond financial commitments, and UPS is a great example of this type of multifaceted collaboration. It's an exciting time.

When organizations see the same problems and can create strong solutions together, they must act. That is the model that we have with UPS. It's a model that we can now take to other potential partners, with other core competencies, and deliver on our mission even more successfully.

—Rigoberto Giron

Associate Vice-President, Strategic Initiatives and Supply Chain Management Global Support, CARE USA

Putting it All Together for Disaster Relief

One of UPS's fundamental principles of philanthropy is that the best results come from combining three things: cash and in-kind donations of UPS resources, the skills and experience of UPS volunteers, and a partner organization facing a challenge. They all came together in Port Au Prince after the earthquake rocked Haiti in early January of 2010. The day of the quake, UPS pledged US\$1 million in aid, including substantial in-kind donations for staging disaster relief supplies, shipping them into Haiti, and helping to distribute them. As UPS swung into action as a corporation, UPS executive Craig Arnold went into action as a volunteer. He had visited Haiti a number of times, and one of his friends in Port au Prince managed a Salvation Army school and home for Haitian children. He knew that if he could get there, he would be in a position to help the Salvation Army—with a little help from his company.

When he arrived on a private plane just days after the quake, he learned that the school and home had survived—one of the few large compounds to do so—and the Salvation Army was now running a “camp” of several thousand people without food, water or shelter. Arnold was there when the first UPS relief flight landed at Port au Prince airport with nearly 170,000 meals. “I was never more proud of my company at that moment,” he remembers. As relief supplies began to reach the city, he helped to distribute them in the camp. This process was chaotic, because the only system available for ensuring fair shares for everyone was hand-written records on paper index cards. It was too easy to for some people to get more than their share, and others to get nothing.

With his knowledge of UPS logistics, Arnold knew there was a better way: giving residents in the camp their own laminated ID cards with barcodes that could be scanned for each day's distribution. The scanning would be done with the same handheld Trackpad that UPS uses millions of times a day. Even though he was working independently of the main UPS disaster relief effort, it took Arnold only a few phone calls to organize company support for his idea. He sent a list of camp residents to UPS in the United States, and the barcodes came back the next day. The Trackpads followed soon afterward, already configured for their new assignment. The time and equipment were all donated to the Salvation Army.

Arnold had to return home after a few weeks—he had taken personal vacation time to volunteer in Haiti—but when he came back to the camp in October for UPS's annual Volunteer Month, the UPS Trackpad system was still making disaster relief more efficient and equitable.

Operating Responsibly in Society

This Report describes ethics and governance at UPS in detail, including qualitative and quantitative disclosures and links to online resources (see “Profile,” page 30). We also discuss corporate responsibility in the workplace and with suppliers (“Workplace,” page 72). Here we present additional information from the point of view of our stakeholders in society, who are concerned with specific issues such as corruption, anti-competitive behavior and compliance with law and regulation.

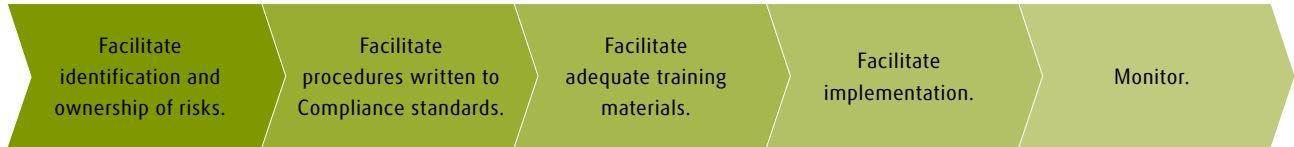
In 2010, we continued to invest significant management attention in these matters, in part due to our rapid international expansion and our growing number of suppliers, subcontractors, agents, partners, and third-party relationships around the world. We recognize that acceptable practices vary from country to country. We recognize also that we bear responsibility for systematically establishing and enforcing high standards for responsible behavior in all our business relationships. We have developed a five-step process to ensure measurable compliance effectiveness in all of our international package, freight and distribution business entities, and we are actively implementing it.

For example, in 2010 we revised and updated our compliance audits to more proactively seek out evidence of corrupt or anti-competitive practices. We typically conduct these audits in a number of countries each year, selecting them based on the expansion of our business, the resources of our compliance organization, and other strategic factors. We pay particular attention to significant changes in a business entity that can result from, or create pressure for, corrupt or unethical practices. In 2010, we conducted audits in 11 countries, including businesses with which we have both direct and third-party relationships.

Comprehensive training on compliance and ethics programs is completed every other year by approximately 44,000 UPS full-time managers and specialists, with a goal of 100 percent participation. The UPS Code of Business Conduct is reviewed by all managers and specialists each year. They also complete an annual business ethics questionnaire. Both the training and questionnaire have two purposes. The first is to refresh and reinforce the training our people have already received regarding ethical behavior on the job. The second is to proactively identify events, situations or relationships that could lead to risks related to corrupt or anti-competitive behavior.

Information pertaining to such matters is reviewed and acted on promptly by senior management, up to and including the Management Committee. Organizational responsibility for our business conduct and compliance policies as described above rests with Teri McClure, Senior Vice President of Legal, Compliance & Public Affairs, General Counsel and Corporate Secretary, along with the Nominating and Corporate Governance Committee of the Board of Directors. Additionally, the UPS Audit Committee is responsible for overseeing the company's compliance obligations related to accounting and financial reporting. Our Code of Business Conduct is available online in the Investor section of our website.

UPS Compliance Process

**Corruption.**

Our policy is to comply with all applicable laws, rules and regulations, in all countries where we operate. Our Code of Business Conduct states policies and procedures that prohibit UPS employees, and the people acting on our behalf, from engaging in unlawful activities, including violations of the U.S. Foreign Corrupt Practices Act and other applicable anti-bribery laws, rules and regulations in various countries. UPS is not aware of any allegations of corruption in 2010 from any government agency around the world responsible for oversight of this issue.

Anti-Competitive Behavior.

Our policy is to comply with all applicable laws, rules and regulations, in all countries where we operate. The UPS Code of Business Conduct includes policies and procedures that prohibit UPS employees, and the people acting on our behalf, from engaging in anti-competitive behavior, antitrust activities or monopolistic practices. In February 2010, UPS and four other companies were charged by the European Commission (“the Commission”) with illegally fixing prices for certain air freight services to and from the 30-country European Economic Area (EEA). The Commission emphasized that the issuing of formal charges does not “prejudge” whether findings of guilt will be rendered. We intend to present a vigorous defense in this proceeding against any allegation of wrongdoing. UPS has received and responded to related information requests from competition authorities in other jurisdictions. We are cooperating with each of these inquiries. At this time, we are unable to determine the amount of any liability that may result from these matters or whether such liability, if any, would have a material adverse effect on UPS’s financial condition, results of operations, or liquidity.

Compliance.

Our policy is to comply with all applicable laws, rules and regulations, in all countries where we operate. The UPS Code of Business Conduct includes policies and procedures that prohibit UPS employees, and the people acting on our behalf, from engaging in unlawful activities, including violations of the U.S. Foreign Corrupt Practices Act and other applicable anti-bribery laws, rules and regulations in various countries. On occasion, UPS resolves routine civil administrative matters and associated penalties when they arise. However, we are not aware of any breaches of compliance that are material to our operations or penalties that are material to company assets.

Public Policy.

Along with facing tough competition and the challenges of entering new markets, UPS must continually adapt to new laws and regulations. Legislative and regulatory changes can limit our opportunities for growth, and government policies and legislation often have a deep impact on how we do business. We present our views on these topics to a wide range of policy makers and stakeholder groups. Our venues for making this case include active participation in trade associations, interactions with public officials, submitted op-ed pieces in the media, and support for regulatory and legislative action that we believe is beneficial to UPS, our markets, and the communities we serve. Our nonpartisan political action committee, UPSPAC, enables our employees in the United States to aggregate and channel their political donations to political candidates who support such action. In 2010, UPSPAC donated approximately US\$2.2 million in the United States to candidates at the federal, state, and local levels.

We emphasize two major themes in our public policy advocacy efforts. The first is that global trade, free enterprise and fair trade are good for our company, our country and the global economy. The second is that operating sustainably is good for business, because it creates new opportunities for success and leadership (see [page 39](#)). We invest significant time and energy in bringing elected officials and policy makers to our operations centers so they can learn firsthand how increasing the efficiency of global logistics and transport helps the world economy operate more sustainably. We also publicize innovations, such as our investments in alternative fuel technology and emissions reductions that can help create greater awareness of climate change and influence changes in public policy.