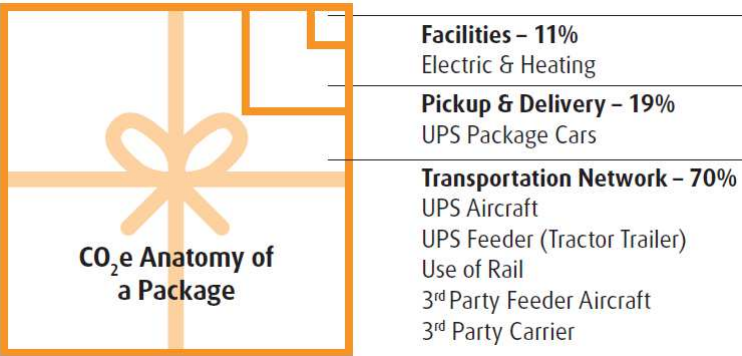


# 1

# United Parcel Service

Head office : Georgia, U.S.  
Industry: Logistics

Questions	Answers																																																																																										
<p>❑ Background and purpose of accounting</p>	<p>At UPS, we have been accounting for Scope 3 emissions (subcontracted logistics services) from railway transportation of packages since 2003, and we began accounting for the business travel category in 2008. We have been using the Scope 3 Standard of the GHG Protocol since 2010, and we are currently expanding the number of accounting categories.</p> <p>The purpose of accounting for supply chain emissions is management of those emissions; but it can also be used to distinguish UPS from competitors by providing information on our supply chain emissions to customers.</p>																																																																																										
<p>❑ Accounting methodology</p>	<p>We account for subcontracted logistics services under Category 4. It could also be handled under Category 1, considering that these are purchased services; but we decided to handle it under Category 4 after consulting with WRI, which developed the Scope 3 Standard. We multiply GHG Protocol data from distance, weight, and means of transportation by emissions unit values in accounting. Our approach to accounting in each category is explained in detail in the CSR Report.</p>																																																																																										
<p>❑ Internal system for accounting</p>	<p>We use a tool from Enablon for Scope 1 and 2, but our Scope 3 calculations are based on our own database. However, the emissions unit values that we use are basically those of the GHG Protocol. Our accounting results then receive third party verification.</p>																																																																																										
<p>❑ Use of accounting results</p>	<p>We disclose the results in a CSR Report, etc., and we also offer a service that provides data to help customers who wish to account for their own Scope 3 emissions. At present, we are providing data to about 200 companies.</p>																																																																																										
<p>❑ Benefits of accounting</p>	<p>It not only helps us optimize our own supply chain and reduce costs, but also lets us support optimization by our customers by providing data to many companies who use our logistics services.</p> <table border="1" style="width: 100%; border-collapse: collapse; text-align: center;"> <thead> <tr style="background-color: #76923c; color: white;"> <th></th> <th colspan="2">U.S. Domestic Package</th> <th colspan="2">International Package</th> <th colspan="2">Global Supply Chain &amp; Freight</th> <th colspan="2">Totals</th> </tr> <tr style="background-color: #76923c; color: white;"> <th></th> <th>2011</th> <th>2010</th> <th>2011</th> <th>2010</th> <th>2011</th> <th>2010</th> <th>2011</th> <th>2010</th> </tr> </thead> <tbody> <tr> <td>Scope 1</td> <td>6,638</td> <td>6,649</td> <td>4,372</td> <td>4,022</td> <td>971</td> <td>1,042</td> <td>11,981</td> <td>11,713</td> </tr> <tr> <td>Scope 2</td> <td>668</td> <td>683</td> <td>68</td> <td>75</td> <td>155</td> <td>159</td> <td>891</td> <td>917</td> </tr> <tr> <td>Total Scope 1 &amp; 2</td> <td>7,306</td> <td>7,332</td> <td>4,440</td> <td>4,097</td> <td>1,126</td> <td>1,201</td> <td>12,872</td> <td>12,630</td> </tr> <tr> <td>Scope 3</td> <td>2,654</td> <td>2,464</td> <td>1,850</td> <td>1,997</td> <td>4,327</td> <td>5,404</td> <td>8,831</td> <td>9,865</td> </tr> <tr> <td>Total Scope 1,2 &amp; 3</td> <td>9,960</td> <td>9,796</td> <td>6,290</td> <td>6,094</td> <td>5,453</td> <td>6,605</td> <td>21,703</td> <td>22,495</td> </tr> <tr style="background-color: #e6f2e6;"> <td colspan="7"></td> <td>Carbon Offsets Retired</td> <td>3.1</td> </tr> <tr style="background-color: #e6f2e6;"> <td colspan="7"></td> <td>2011 Net Global CO<sub>2</sub>e Emissions</td> <td>21,674</td> </tr> <tr style="background-color: #e6f2e6;"> <td colspan="7"></td> <td></td> <td>22,492</td> </tr> </tbody> </table>		U.S. Domestic Package		International Package		Global Supply Chain & Freight		Totals			2011	2010	2011	2010	2011	2010	2011	2010	Scope 1	6,638	6,649	4,372	4,022	971	1,042	11,981	11,713	Scope 2	668	683	68	75	155	159	891	917	Total Scope 1 & 2	7,306	7,332	4,440	4,097	1,126	1,201	12,872	12,630	Scope 3	2,654	2,464	1,850	1,997	4,327	5,404	8,831	9,865	Total Scope 1,2 & 3	9,960	9,796	6,290	6,094	5,453	6,605	21,703	22,495								Carbon Offsets Retired	3.1								2011 Net Global CO <sub>2</sub> e Emissions	21,674									22,492
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<p>▣ Efforts to reduce supply chain emissions</p>	<p>Warehouses and distribution centers account for 11% of the emissions of UPS logistics services; emissions from consolidated delivery in vehicles owned by UPS account for 19%; and emissions from our logistics network, including consigned logistics services using aircraft, trucks, railways, etc., account for 70%. Therefore, to reduce the supply chain emissions of UPS, it is important to take steps to reduce emissions in our logistics network; and we are taking measures such as modal shifts, improving the efficiency of means of transportation, and providing services with carbon offsets.</p>	 <p><b>CO<sub>2</sub>e Anatomy of a Package</b></p> <ul style="list-style-type: none"> <li><b>Facilities – 11%</b> Electric &amp; Heating</li> <li><b>Pickup &amp; Delivery – 19%</b> UPS Package Cars</li> <li><b>Transportation Network – 70%</b> UPS Aircraft UPS Feeder (Tractor Trailer) Use of Rail 3<sup>rd</sup> Party Feeder Aircraft 3<sup>rd</sup> Party Carrier</li> </ul> <p>UPS Corporate Sustainability Report 2011  <a href="http://www.responsibility.ups.com/community/Static%20Files/sustainability/2011_UPS_CSR_Report.pdf">http://www.responsibility.ups.com/community/Static%20Files/sustainability/2011_UPS_CSR_Report.pdf</a></p>
<p>▣ Issues in supply chain emissions accounting</p>	<p>Efforts to account for supply chain emissions are just getting started around the world, and the methods of accounting and data collection used by different companies are not uniform. Also, there are many issues in the approach to quantifying the effects of measures to reduce emissions. For example, even if emissions in society as a whole are reduced through the use of UPS services with lower emissions, our own supply chain emissions will increase if the amount of freight transported by UPS increases. In this case, it is important to take the approach of emissions unit values, and our goal is to improve our emissions unit value per ton-mile.</p>	
<p>▣ Advice for those beginning to account for supply chain emissions</p>	<p>The five principles of suitability of purpose, comprehensive coverage, consistency, transparency, and accuracy are important in accounting for supply chain emissions, as stated in the Scope 3 Standard of the GHG Protocol, and the measures taken must be based on an understanding of these principles.</p> <p>In addition, it is important to begin with categories that allow for easier data collection and accounting, while determining which stages of your own supply chain have the greatest impact.</p>	