



The protectedpdf technology is © Copyright 2006 Vitrium Systems Inc. All Rights Reserved. Patents Pending.

## **UPS AND CORPORATE SUSTAINABILITY: PROACTIVELY MANAGING RISK**

*Our package cars, aircraft, and 360,000 employees are part of the fabric of everyday life worldwide. This report represents our official stake in the ground to identify areas for improvement and set goals by which to measure ourselves.*

—*Operating in Unison*  
UPS 2002 Corporate Sustainability Report

*At UPS we believe our business success depends upon balancing economic, social, and environmental objectives.*

—*Operating in Unison*<sup>1</sup>  
UPS 2005 Chairman's Letter

UPS began using its signature brown for its trucks and driver's uniforms in 1919. As Dave Guernsey, a manager in environmental engineering, pointed out in the fall of 2005, most local UPS buildings were similarly utilitarian. "Shipping buildings are boxes to hold conveyor belts with room for trucks to pull in." At corporate headquarters in Atlanta, however, the dominant color was green. Turnstiles led to open spaces—escalators moved from the lobby up through a large atrium. Windows looked out on trees with a view complemented by many interior plants. Taken together, the contrasting designs of the operational buildings and UPS headquarters were telling. UPS had long focused on tangible solutions and engaged corporate social responsibility in a quiet way while competing in an environment where brand and reputation and image and marketing increasingly had become competitive factors.

In 1999, after more than 90 years as a private company, UPS went public in what was to that date Wall Street's largest IPO. Historically UPS's culture was modest, but the headquarters building suggested a readiness to make bold statements, even as the operational buildings suggested continuity in efficient solutions.

---

<sup>1</sup> See **Exhibit 1**.

UPS had a large environmental footprint. Delivering packages on time required a large fleet of trucks and airplanes, and using tons of paper and cardboard packaging. Even with an ambitious program to increase its fleet of hybrid vehicles, for example, UPS still burned a lot of fossil fuel.

By the end of the 20<sup>th</sup> century, corporations were becoming more closely scrutinized on such a wide range of issues. Few U.S. companies the size of UPS had made so substantial a commitment to environmental sustainability and paid attention to social issues; few had a culture and business model that made this commitment so pragmatic a fit.

In 2002, under CEO Mike Eskew, UPS launched a separate corporate sustainability responsibility report—*Operating in Unison*—the first of its kind in its industry. The report was much like European triple-bottom-line reporting, and provided stakeholders with information on environmental data and social responsibility activities not required by regulation. The 2002 report (published in 2003) built on a hallmark of the UPS culture—measuring everything by making data that were originally collected for internal reporting available to external stakeholders. For Mike Herr, UPS Corporate Environmental Affairs manager,<sup>2</sup> the central question leading up to publishing the report in 2002 was, “What does it mean to be a global company?” The report established UPS as a leader in exemplifying the way U.S. companies should approach corporate citizenship. But was disclosing potentially controversial information too far ahead of the curve?

Most companies manage risk. In fact, inherent negatives exist in every business model. These inherent negatives are elements of an organization’s business that have the potential to negatively impact stakeholders. The more successful the business, the more the inherent negatives can multiply.

With close to 400,000 employees, many of them coming to customers’ front doors, UPS knew its people were a primary touch point for the UPS brand, personalizing the company. But the potential for problems also arrived with every delivery. UPS trucks consumed fuel, contributing to emissions, and could break down or have accidents, delaying deliveries. With 60% of UPS employees unionized, the work force could go on strike at crucial times. In addition, as the company moved into new businesses and expanded globally, its upstream and downstream risks or potential inherent negatives increased.

In UPS’s first corporate sustainability report, Eskew wrote that the report was “created with 2007 [the company’s centennial] in mind.”<sup>3</sup> Looking back on the 2002 decision to publish *Operating in Unison*, would this global company’s long-term thinking be rewarded by American capital markets? To what extent would UPS’s innovative efforts to “synchronize your world” and its forward-looking policies aligning technology, the environment, and social concerns mitigated risk in a wired world where information flowed freely and public opinion was increasingly shaped by so many factors?

---

<sup>2</sup> Herr’s title in 2005.

<sup>3</sup> UPS sustainability report published in the 2006 *Operating in Unison*.





























































