

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
Form 10-K**

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2022
or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____
Commission file number 001-15451



United Parcel Service, Inc.
(Exact name of registrant as specified in its charter)

Delaware
(State or Other Jurisdiction of
Incorporation or Organization)

58-2480149
(I.R.S. Employer
Identification No.)

55 Glenlake Parkway, N.E. Atlanta, Georgia 30328
(Address of Principal Executive Offices) (Zip Code)

(404) 828-6000
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Trading Symbol	Name of Each Exchange on Which Registered
Class B common stock, par value \$.01 per share	UPS	New York Stock Exchange
0.375% Senior Notes due 2023	UPS23A	New York Stock Exchange
1.625% Senior Notes due 2025	UPS25	New York Stock Exchange
1% Senior Notes due 2028	UPS28	New York Stock Exchange
1.500% Senior Notes due 2032	UPS32	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act:

Class A common stock, par value \$.01 per share

(Title of Class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act. Yes No

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (Section 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See definitions of "large accelerated filer", "accelerated filer", "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements.

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b).

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

The aggregate market value of the class B common stock held by non-affiliates of the registrant was \$3,554,051,887 as of June 30, 2022. The registrant's class A common stock is not listed on a national securities exchange or traded in an organized over-the-counter market, but each share of the registrant's class A common stock is convertible into one share of the registrant's class B common stock.

As of February 3, 2023, there were 33,935,649 outstanding shares of class A common stock and 24,805,339 outstanding shares of class B common stock.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's definitive proxy statement for its annual meeting of shareholders scheduled for May 4, 2023 are incorporated by reference into Part III of this report.

**UNITED PARCEL SERVICE, INC.
ANNUAL REPORT ON FORM 10-K
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PART I

Cautionary Statement About Forward-Looking Statements

This report and our other filings with the Securities and Exchange Commission ("SEC") contain and in the future may contain "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Statements other than those of current or historical fact, and all statements accompanied by terms such as "will," "believe," "project," "expect," "estimate," "assume," "intend," "anticipate," "target," "plan" and similar terms, are intended to be forward-looking statements. Forward-looking statements are made subject to the safe harbor provisions of the federal securities laws pursuant to Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934.

From time to time, we also include written or oral forward-looking statements in other publicly disclosed materials. Such statements relate to our intent, belief and current expectations about our strategic direction, prospects and future results, and give our current expectations or forecasts of future events; they do not relate strictly to historical or current facts. Management believes that these forward-looking statements are reasonable as and when made. However, caution should be taken not to place undue reliance on any such forward-looking statements because such statements speak only as of the date when made.

Forward-looking statements are subject to certain risks and uncertainties that could cause actual results to differ materially from our historical experience and our present expectations or anticipated results. These risks and uncertainties include, but are not limited to, those described in Part I, "Item 1A. Risk Factors" and elsewhere in this report and may also be described from time to time in our future reports filed with the SEC. You should consider the limitations on, and risks associated with, forward-looking statements and not unduly rely on the accuracy of predictions contained in such forward-looking statements. We do not undertake any obligation to update forward-looking statements to reflect events, circumstances, changes in expectations or the occurrence of unanticipated events after the date of those statements.

Item 1. Business

Overview

United Parcel Service, Inc. ("UPS"), founded in 1907, is the world's premier package delivery company and a leading provider of global supply chain management solutions. We offer a broad range of industry-leading products and services through our extensive global presence. Our services include transportation and delivery, distribution, contract logistics, ocean freight, airfreight, customs brokerage and insurance.

We operate one of the largest airlines and one of the largest fleets of alternative fuel vehicles under a global UPS brand. We deliver packages each business day for approximately 1.6 million shipping customers to 11.1 million delivery recipients in over 220 countries and territories. In 2022, we delivered an average of 24.3 million packages per day, totaling 6.2 billion packages during the year. Total revenue in 2022 was \$100.3 billion.

Strategy

Our well-defined strategy focuses on growing in the parts of our market that value our end-to-end network, including small- and medium-sized businesses ("SMBs"), healthcare, international and certain large enterprise accounts. We are continuing on the journey to execute our *Customer First, People Led, Innovation Driven* strategy as we evolve our business to be better and bolder.

Customer First is about solving for the needs of our customers. We strive to help our customers seize new opportunities, better compete and succeed by delivering the capabilities that they tell us matter the most: speed and ease.

People Led specifically focuses on how likely an employee is to recommend UPS employment to a friend or family member. We know successful outcomes are built from a strong culture, so we are striving to make UPS a great place to work. We believe that when we take care of our people, they take care of our customers.

Innovation Driven is designed to optimize the volume that flows through our network to focus on increasing value share and to drive business growth from higher-yielding opportunities in our target markets. We continue to leverage technology and automation to deliver improvements to our network and unlock value for our customers through innovation.

Competitive Strengths

Our competitive strengths include:

Global Smart Logistics Network. We believe that our integrated global air and ground network is the most extensive in the industry. We provide all types of package services (air, ground, domestic, international, commercial and residential) through a single pickup and delivery network. Our sophisticated engineering systems allow us to optimize network efficiency and asset utilization.

Global Presence. We serve more than 220 countries and territories. We have a significant presence in all of the world's major economies, allowing us to effectively and efficiently operate around the world.

Cutting-Edge Technologies. We are a global leader in developing technologies that help our customers enhance their shipping and logistics business processes to lower costs, improve service and increase efficiency. We offer a variety of digital tools that enable our customers to integrate UPS functionality into their distribution channels, deepening our customer relationships. These tools allow our customers to send, manage and track their shipments, and also provide their customers with value-added data.

Broad Portfolio of Services. Our portfolio of services allows customers to choose their most appropriate delivery option. Increasingly, our customers benefit from UPS business solutions that integrate our services beyond package delivery. For example, supply chain services – such as global freight forwarding, truckload brokerage, customs brokerage, order fulfillment and returns management – are designed to help improve the efficiency and resilience of our customers' entire supply chain management process.

Customer Relationships. We focus on building and maintaining long-term customer relationships. Value-added services beyond package delivery, and connecting our small package, supply chain and digital services across our customer base, are important to our customer retention and growth.

Brand Equity. We have built a leading and trusted brand that stands for quality, reliability and service innovation. Our vehicles and the professional courtesy of our drivers are major contributors to our brand equity.

Distinctive Culture. We believe that the dedication of our employees comes in large part from our purpose driven culture that fosters trust, appreciation and empowerment. We value the contribution of all of our people, encouraging everyone to bring their unique perspective, background, talents and skills to work every day. Our legacy of fairness and equity is the bedrock of our culture and of our relationships with those we serve.

Financial Strength. Our financial strength allows us to continue investing in digital technology, transportation equipment, facilities and employee development to generate value for shareholders. We pursue strategic opportunities that facilitate our growth and seek to maintain a strong credit rating to give us flexibility in running the business.

Products and Services; Reporting Segments

We have two reporting segments: U.S. Domestic Package and International Package. Our remaining businesses are reported as Supply Chain Solutions. U.S. Domestic Package and International Package are together referred to as our global small package operations.

Global Small Package

Our global small package operations provide time-definite delivery services for express letters, documents, packages and palletized freight via air and ground services. These services are supported by numerous shipping, visibility and billing technologies. These include our Digital Access Program, which embeds our shipping solutions directly into leading e-commerce platforms, enabling us to more broadly reach SMB customers and e-commerce markets.

All of our services (air, ground, domestic, international, commercial and residential) are managed through a single, global smart logistics network. We combine all packages within this single network, unless dictated by specific service commitments. This enables us to efficiently pick up customers' shipments for any services at a scheduled time each day. Our global smart logistics network provides unique operational and capital efficiencies that also have a lesser environmental impact than single service network designs.

We offer same-day pickup of air and ground packages seven days a week. Our global smart logistics network offers approximately 197,000 entry points where customers can tender packages to us at locations and times convenient to them. This includes UPS drivers who can accept packages, UPS drop boxes, UPS Access Point locations, The UPS Store locations, authorized shipping outlets and commercial counters, alliance locations and customer centers attached to UPS facilities.

We offer a portfolio of returns services in more than 140 countries. These services are driven by the continued growth of e-commerce that has increased our customers' need for efficient and reliable returns, and are designed to promote efficiency and a friction-free consumer experience. This portfolio provides a range of cost-effective label and digital returns options and a broad network of consumer drop points. We also offer a selection of returns technologies, such as UPS Returns Manager, that promote systems integration, increase customer ease of use and visibility of inbound merchandise. These technologies help reduce costs and improve efficiency in our customers' reverse logistics processes.

Our global air operations hub is located in Louisville, Kentucky, and is supported by air hubs across the United States ("U.S.") and internationally. We operate international air hubs in Germany, China, Hong Kong, Canada and Florida (for Latin America and the Caribbean). This design enables cost-effective package processing using fewer, larger and more fuel-efficient aircraft.

U.S. Domestic Package

We are a leader in time-definite, guaranteed small package delivery services in the United States. We offer a full spectrum of U.S. domestic guaranteed air and ground package transportation services. Our U.S. ground fleet serves all business and residential zip codes in the contiguous United States.

- Our air portfolio offers time-definite, same day, next day, two day and three day delivery alternatives.
- Our ground network enables customers to ship using our day-definite guaranteed ground service. We deliver more than 17 million ground packages per day, most within one to three business days.
- UPS SurePost provides residential ground service for customers with non-urgent, lightweight residential shipments. It offers the consistency and reliability of the UPS ground network, with final delivery often provided by the U.S. Postal Service.

International Package

International Package consists of our small package operations in Europe, Asia, the Indian sub-continent, the Middle East, Africa, Canada and Latin America. International markets are one of our identified growth opportunities. We offer a wide selection of guaranteed day- and time-definite international shipping services, including more guaranteed time-definite express options than any other carrier.

For international package shipments that do not require express services, UPS Worldwide Expedited offers a reliable, deferred, guaranteed day-definite service option. For cross-border ground package delivery, we offer UPS Standard delivery services within Europe, between the U.S. and Canada, and between the U.S. and Mexico. UPS Worldwide Express Freight is a premium international service for urgent, palletized shipments over 150 pounds.

Europe is our largest region outside of the U.S. by both revenue and package volume. We continue to make major European infrastructure investments to meet demand for our services and to improve transit times across the region. We have recently expanded hubs and gateways in France, Germany and Italy to increase efficiency for cross-border ground shipments and provide capacity for future growth.

We serve more than 40 countries and territories in Asia through alliances with local delivery companies and our owned operations.

Supply Chain Solutions

Supply Chain Solutions consists of our forwarding, truckload brokerage, logistics and distribution and other businesses. Supply chain complexity creates demand for a global service offering that incorporates transportation, distribution and international trade and brokerage services, with complementary financial and information services. Many companies see value in outsourcing certain logistics activity. With increased competition and growth opportunities in new markets, businesses require flexible and responsive supply chains to support their strategies. We aim to meet this demand by offering a broad array of supply chain services in more than 200 countries and territories.

Forwarding

We are one of the largest U.S. domestic airfreight carriers and among the top airfreight forwarders globally. We offer a portfolio of guaranteed and non-guaranteed global airfreight services. Additionally, as one of the world's leading non-vessel operating common carriers, we provide ocean freight full-container load, less-than-container load and multimodal transportation services between most major ports around the world.

We are among the world's largest customs brokers, measured by both the number of shipments processed annually and by the number of dedicated brokerage employees worldwide. In addition to customs clearance services, we provide product classification, trade management, duty drawback and consulting services.

Truckload Brokerage

We provide truckload brokerage services in North America and Europe through our Coyote-branded subsidiaries. Access to the UPS fleet, combined with a broad third-party carrier network, creates customized capacity solutions for all markets and customers. Coyote customers can also access UPS services such as airfreight, customs brokerage and global freight forwarding.

Logistics & Distribution

Our global logistics and distribution business provides value-added fulfillment and transportation management services. We leverage a network of facilities in over 120 countries to seek to ensure products and parts are in the right place at the right time. We operate both multi-client and dedicated facilities across our network, many of which are strategically located near UPS air and ground transportation hubs to support rapid delivery to consumer and business markets. We continue to invest in the automation of our facilities to meet customer demand.

Healthcare logistics is one of our targeted growth areas. We offer world-class technology, deep expertise and a highly sophisticated suite of services. With a strategic focus on serving the unique, priority-handling needs of healthcare and life sciences customers, we continue to increase our cold-chain logistics capabilities both in the U.S. and internationally. During 2022, we acquired Bomi Group to accelerate our growth by expanding our international presence and increasing our cold chain capabilities in major European and Latin American markets. With the addition of Bomi Group, our network provides customers access to specialized healthcare distribution space in more than 30 countries and territories.

Other Supply Chain Solutions businesses

Our other Supply Chain Solutions businesses provide a broad portfolio of services to meet customer needs. Technology-driven solutions, such as our Roadie same-day delivery business, provide flexibility and visibility for our customers. We also offer integrated supply chain and high-value shipment insurance solutions to both small and large businesses through UPS Capital. We believe these services are important to meeting our customers' needs and deepening our customer relationships.

Human Capital

Our success is dependent upon our people, working together with a common purpose. We have approximately 536,000 employees (excluding temporary seasonal employees), of which 443,000 are in the U.S. and 93,000 are located internationally. Our global workforce includes approximately 90,000 management employees (44% of whom are part-time) and 446,000 hourly employees (50% of whom are part-time). More than 70% of our U.S. employees are represented by unions, primarily those employees handling or transporting packages. Many of these employees are employed under a national master agreement and various supplemental agreements with local unions affiliated with the International Brotherhood of Teamsters which run through July 31, 2023. In addition, approximately 3,400 of our pilots are represented by the Independent Pilots Association ("IPA"). During 2022, we extended our contract with the IPA for an additional two years beginning at the end of the current contract on September 1, 2023.

We believe that UPS employees are among the most motivated, highest-performing people in the industry and provide us with a meaningful competitive advantage. To assist with employee recruitment and retention, we continue to review the competitiveness of our employee value proposition, including benefits and pay, the range of continuous training, talent development and promotional opportunities. For additional information on the importance of our human capital efforts, see "Risk Factors - Business and Operating Risks - Failure to attract or retain qualified employees could materially adversely affect us" and "Strikes, work stoppages or slowdowns by our employees could materially adversely affect us."

Oversight and management

We believe in creating an inclusive and equitable environment that represents a broad spectrum of diverse backgrounds, cultures and stakeholders. By leveraging diversity with respect to gender, age, ethnicity, skills and other factors, and creating inclusive environments, we believe we can improve organizational effectiveness, cultivate innovation and drive growth.

Our Board of Directors, directly and through the Board's Compensation and Human Capital Committee, is responsible for oversight of human capital matters. Effective oversight is accomplished through a variety of methods and processes including regular updates and discussions around human capital transformation efforts, technology initiatives impacting the workforce, health and safety matters, employee survey results related to culture and other matters, hiring and retention, employee demographics, labor relations and contract negotiations, compensation and benefits, succession planning and employee training initiatives. In addition, the Compensation and Human Capital Committee charter was recently expanded to include oversight of performance and talent management, diversity, equity and inclusion, work culture and employee development and retention. We believe the Board's oversight of these matters helps identify and mitigate exposure to labor and human capital management risks, and is part of the broader framework that guides how we attract, retain and develop a workforce that aligns with our values and strategies.

Transformation

As we expand and enter new markets, and seek to capture new opportunities and pursue growth, we need employees to grow and innovate along with us. We believe that transforming the UPS employee experience is foundational to our success. This requires a thoughtful balance between the culture we have cultivated over the years and new approaches to lead our business into the future.

We are investing in capabilities that we believe will transform our business, including investments in employee opportunities to support growth. We provide training for management employees on professionalism and performance, as well as unconscious bias and diversity and inclusion, to seek to ensure our actions align with our values.

Additional information on our human capital efforts is contained in our annual sustainability report, which describes our activities that support our commitment to acting responsibly and contributing to society. This report is available under the heading "Social Impact" at www.about.ups.com.

Collective bargaining

We bargain in good faith with the unions that represent our employees. We frequently engage union leaders at the national level and at local chapters throughout the United States. We participate in works councils and associations outside the U.S., which allows us to respond to emerging regional issues. This work helps our operations to build and maintain productive relationships with our employees. For additional information regarding employees employed under collective bargaining agreements, see note 6 to the audited, consolidated financial statements.

Employee health and safety

We seek to provide industry-leading employee health, safety and wellness programs across our growing workforce. We develop a culture of health and safety by:

- investing in safety training and audits;
- promoting wellness practices which mitigate risk; and
- offering benefits designed to keep employees safe in the workplace and beyond.

Our local health and safety committees coach employees on UPS's safety processes and are able to share best practices across work groups. Our safety methods and procedures are increasingly focused on the variables associated with residential delivery environments, which have become more common with the growth in e-commerce. We monitor our performance in this area through various measurable targets including lost time injury frequency and the number of recorded auto accidents.

Customers

Building and maintaining long-term customer relationships is a competitive strength of UPS. In 2022, we served 1.6 million shipping customers and more than 11.1 million delivery recipients daily. For the year ended December 31, 2022, one customer, Amazon.com, Inc. and its affiliates, represented approximately 11.3% of our consolidated revenues, substantially all of which was within our U.S. Domestic Package segment. For additional information on our customers, see "Risk Factors - Business and Operating Risks - Changes in our relationships with any of our significant customers, including the loss or reduction in business from one or more of them, could have a material adverse effect on us" and note 14 to the audited, consolidated financial statements.

Competition

We offer a broad array of transportation and logistics services and compete with many local, regional, national and international logistics providers as well as national postal services. We believe our strategy, network and competitive strengths position us well to compete in the marketplace. For additional information on our competitive environment, see "Risk Factors - Business and Operating Risks - Our industry is rapidly evolving. We expect to continue to face significant competition, which could materially adversely affect us".

Government Regulation

We are subject to numerous laws and regulations in the countries in which we operate. Continued compliance with increasingly stringent laws, regulations and policies in the U.S. and in the other countries in which we operate may result in materially increased costs, or we could be subject to substantial fines or possible revocation of our authority to conduct our operations.

Air Operations

The U.S. Department of Transportation ("DOT"), the Federal Aviation Administration ("FAA") and the U.S. Department of Homeland Security, through the Transportation Security Administration ("TSA"), have primary regulatory authority over our air transportation services.

The DOT's authority primarily relates to economic aspects of air transportation, such as operating authority, insurance requirements, pricing, non-competitive practices, interlocking relations and cooperative agreements. The DOT also regulates international routes, fares, rates and practices and is authorized to investigate and take action against discriminatory treatment of U.S. air carriers abroad. International operating rights for U.S. airlines are usually subject to bilateral agreements between the U.S. and foreign governments or, in the absence of such agreements, by principles of reciprocity. We are also subject to current and potential aviation, health, customs and immigration regulations imposed by governments in other countries in which we operate, including registration and license requirements and security regulations. We have international route operating rights granted by the DOT and we may apply for additional authorities when those operating rights are available and are required for the efficient operation of our international network. The efficiency and flexibility of our international air transportation network is subject to DOT and foreign government regulations and operating restrictions.

The FAA's authority primarily relates to operational, technical and safety aspects of air transportation, including certification, aircraft operating procedures, transportation of hazardous materials, record keeping standards and maintenance activities and personnel. In addition, we are subject to non-U.S. government regulation of aviation rights involving non-U.S. jurisdictions and non-U.S. customs regulation.

UPS's aircraft maintenance programs and procedures, including aircraft inspection and repair at periodic intervals, are approved for all aircraft under FAA regulations. The future cost of repairs pursuant to these programs may fluctuate according to aircraft condition, age and the enactment of additional FAA regulatory requirements.

The TSA regulates various security aspects of air cargo transportation. Our airport and off-airport locations, as well as our personnel, facilities and procedures involved in air cargo transportation must comply with TSA regulations.

We participate in the Civil Reserve Air Fleet ("CRAF") program. Our participation in this program allows the U.S. Department of Defense ("DOD") to requisition specified UPS aircraft for military use during a national defense emergency. The DOD is required to compensate us for any use of aircraft under the CRAF program. In addition, participation in the CRAF program entitles us to bid for other U.S. Government opportunities including small package and airfreight.

Ground Operations

Our ground transportation of packages in the U.S. is subject to regulation by the DOT and its agency, the Federal Motor Carrier Safety Administration (the "FMCSA"). Ground transportation also falls under state jurisdiction with respect to the regulation of operations, safety and insurance. Our ground transportation of hazardous materials in the U.S. is subject to regulation by the DOT's Pipeline and Hazardous Materials Safety Administration. We also must comply with safety and fitness regulations promulgated by the FMCSA, including those relating to drug and alcohol testing and hours of service for drivers. Ground transportation of packages outside of the U.S. is subject to similar regulatory schemes in the countries in which we transport those packages.

The Postal Reorganization Act of 1970 created the U.S. Postal Service as an independent establishment of the executive branch of the federal government, and created the Postal Rate Commission, an independent agency, to recommend postal rates. The Postal Accountability and Enhancement Act of 2006 amended the 1970 Act to give the re-named Postal Regulatory Commission revised oversight authority over many aspects of the U.S. Postal Service, including postal rates, product offerings and service standards. We sometimes participate in proceedings before the Postal Regulatory Commission in an attempt to secure fair postal rates for competitive services.

Our ground operations are also subject to compliance with various cargo-security and transportation regulations issued by the U.S. Department of Homeland Security, including regulation by the TSA in the U.S., and similar regulations issued by foreign governments in other countries.

Customs

We are subject to the customs laws regarding the import and export of shipments in the countries in which we operate, including those related to the filing of documents on behalf of client importers and exporters. Our activities in the U.S., including customs brokerage and freight forwarding, are subject to regulation by the Bureau of Customs and Border Protection, the TSA, the U.S. Federal Maritime Commission and the DOT. Our international operations are subject to similar regulatory structures in their respective jurisdictions.

For additional information, see "Risk Factors – Business and Operating Risks – Increased security requirements impose substantial costs on us and we could be the target of an attack or have a security breach, which could materially adversely affect us".

Environmental

We are subject to U.S. and international federal, state and local environmental laws and regulations across all of our operations. These laws and regulations cover a variety of matters such as disclosures, operations and processes, including, but not limited to: properly storing, handling and disposing of waste materials; appropriately managing waste water and storm water; monitoring and maintaining the integrity of underground storage tanks; complying with laws regarding clean air, including those governing emissions; protecting against and appropriately responding to spills and releases and communicating the presence of reportable quantities of hazardous materials to local responders. We maintain site- and activity-specific environmental compliance and pollution prevention programs to address our environmental responsibilities and remain compliant. In addition, we maintain numerous programs which seek to minimize waste and prevent pollution within our operations.

Pursuant to the Federal Aviation Act, the FAA, with the assistance of the Environmental Protection Agency is authorized to establish standards governing aircraft noise. Our aircraft fleet complies with current noise standards of the federal aviation regulations. Our international operations are also subject to noise regulations in certain other countries in which we operate.

For additional information, see “Risk Factors – Regulatory and Legal Risks – Increasingly stringent regulations related to climate change could materially increase our operating costs”.

Communications and Data Protection

As we use radio and other communication facilities in our operations, we are subject to the Federal Communications Act of 1934, as amended. In addition, the Federal Communications Commission regulates and licenses our activities pertaining to satellite communications. We are also subject to similar regulation, such as the European Union General Data Protection Regulation, internationally. There has recently been increased regulatory and enforcement focus on data protection in the U.S. (at both the state and federal level) and in other countries.

For additional information, see “Risk Factors – Business and Operating Risks – A significant data breach or information technology system disruption could materially adversely affect us”.

Health and Safety

We are subject to numerous federal, state and local laws and regulations governing employee health and safety, both in the U.S and in other countries. Compliance with changing laws and regulations from time to time, including those promulgated by the U.S. Occupational Safety and Health Administration, could result in materially increased operating costs and capital expenditures, and negatively impact our ability to attract and retain employees.

For additional information on governmental regulations and their potential impact on us generally, see “Risk Factors – Regulatory and Legal Risks”.

Where You Can Find More Information

We maintain websites for business and customer matters at www.ups.com, and for investor relations matters at www.investors.ups.com. Our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and any amendments to those reports filed with or furnished to the SEC pursuant to Section 13(a) of the Securities Exchange Act of 1934 are made available free of charge through our investor relations website under the heading "SEC Filings" as soon as reasonably practical after we electronically file or furnish the reports to the SEC. We have a written Code of Business Conduct that applies to all of our directors, officers and employees, including our principal executive and financial officers. It is available under the heading "ESG" on the Governance Documents page of our investor relations website. In the event that we make changes in, or provide waivers from, the provisions of the Code of Business Conduct that the SEC requires us to disclose, we intend to disclose these events within four business days following the date of the amendment or waiver under that heading on our investor relations website.

Our Corporate Governance Guidelines and the charters for our Audit, Compensation and Human Capital, Risk, and Nominating and Corporate Governance Committees are also available under the heading "ESG" on the Governance Documents page of our investor relations website.

Our sustainability reporting, which describes our activities that support our commitment to acting responsibly and contributing to society, is available under the heading "Social Impact" at www.about.ups.com.

We provide the addresses to our websites solely for information. We do not intend for any addresses to be active links or to otherwise incorporate the contents of any website into this or any other report we file with the SEC.

Item 1A. Risk Factors

Our business, financial condition and results of operations are and will remain subject to numerous risks and uncertainties. You should carefully consider the following risk factors, which may have materially affected or could materially affect us, including impacting our business, financial condition, results of operations, stock price, credit rating or reputation. You should read these risk factors in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Item 7 and our "Financial Statements and Supplementary Data" in Item 8. These are not the only risks we face. We could also be affected by other unknown events, factors, uncertainties, or risks that we do not currently consider to be material.

Business and Operating Risks

The consequences of the COVID-19 pandemic have had, and may continue to have, a significant impact on us, as well as on the operations of many of our customers.

The consequences of the COVID-19 pandemic have had a substantial impact on business and consumer activity, including contributing to a curtailment of certain business activities (including a decrease in demand for a broad variety of goods and services), significant ongoing supply chain disruptions, economic uncertainty and volatility in global financial markets. These consequences have significantly impacted, and may continue to significantly impact us, and have had, and may continue to have, a material adverse impact on the operations, financial performance and liquidity of many of our customers.

Because of ongoing uncertainty with respect to the consequences of the COVID-19 pandemic, the future impact on our operations, financial condition and liquidity also remains uncertain and difficult to predict. This impact will continue to depend on evolving factors, many of which are not within our control, and to which we may not be able to effectively respond. These risks include, but are not limited to: a significant reduction in revenue due to renewed or extended curtailment of business activities; a significant increase in our expenses or a reduction in our operating margins due to long-term changes in the mix of our products and services; effects from governmental, business and individuals' actions that have been and continue to be taken in response to the pandemic (including workforce pressures); reductions in operating effectiveness due to employees working remotely or in hybrid models; unavailability of personnel; the delay or cancellation of capital projects and related delays in, or loss of, expected benefits therefrom; limited access to liquidity; increased volatility and pricing in the capital markets; further disruption of global supply chains; impairments in the fair value of our assets; increases in pension funding obligations; and reductions in our customers' credit-worthiness.

Changes in general economic conditions, in the U.S. and internationally, may adversely affect us.

We conduct operations in over 220 countries and territories. Our operations are subject to cyclicity affecting national and international economies in general, as well as the local economic environments in which we operate. Changes in general economic conditions are beyond our control, and it may be difficult for us to adjust our business model to mitigate the impact of these factors. For example, we are affected by levels of industrial production, inflation, unemployment levels, consumer spending and retail activity. We could be materially affected by adverse developments in these aspects of the economy. We have also been, and may in the future be, adversely impacted by changes in general economic conditions as a result of geopolitical uncertainty and/or conflicts in or arising from the countries and/or regions where we operate, including the United Kingdom, the European Union, the Ukraine, the Russian Federation and the Trans-Pacific region. Changes in general economic conditions, or our inability to accurately forecast these changes or mitigate the impact of these conditions on our business, could materially adversely affect us.

Our industry is rapidly evolving. We expect to continue to face significant competition, which could materially adversely affect us.

Our industry is rapidly evolving, including demands for faster deliveries and increased visibility into shipments. We expect to continue to face significant competition on a local, regional, national and international basis. Competitors include the U.S. and other international postal services, various motor carriers, express companies, freight forwarders, air couriers, large transportation and e-commerce companies that have made and continue to make significant investments in their own logistics capabilities, some of whom are currently our customers. We also face competition from start-ups and other smaller companies that combine technologies with flexible labor solutions such as crowdsourcing to focus on local market needs. Competition may also come from other sources in the future as new technologies are developed. Competitors have cost, operational and organizational structures that differ from ours and may offer services or pricing terms that we are not willing or able to offer. Additionally, to sustain the level of service and value that we deliver to our customers, from time to time we have raised, and may in the future raise, prices and our customers may not be willing to accept these higher prices. If we do not timely and appropriately respond to competitive pressures, including replacing any lost volume or maintaining our profitability, we could be materially adversely affected.

Continued transportation market growth may further increase competition. As a result, competitors may improve their financial capacity and strengthen their competitive positions. Business combinations could also result in competitors providing a wider variety of services and products at competitive prices, which could materially adversely affect us.

Changes in our relationships with any of our significant customers, including the loss or reduction in business from one or more of them, could have a material adverse effect on us.

For the year ended December 31, 2022, business from one customer, Amazon.com, Inc. and its affiliates, accounted for 11.3% of our consolidated revenues. Some of our other significant customers can account for a relatively significant portion of our revenues in a particular quarter or year. Customer impact on our revenue and profitability is based on factors such as: contractual volume amounts; pricing terms; product launches; e-commerce or other industry trends, including those related to the holiday season; business combinations and the overall growth of a customer's underlying business; as well as any disruptions to their businesses. Customers could choose, and have in the past chosen, to divert all or a portion of their business with us to one of our competitors, demand pricing concessions for our services, require us to provide enhanced services that increase our costs, or develop their own logistics capabilities. In addition, certain of our significant customer contracts include termination rights of either party upon the occurrence of certain events or without cause upon advance notice to the other party. If all or a portion of our business relationships with one or more significant customers were to terminate or significantly change, this could materially adversely affect us.

Failure to attract or retain qualified employees could materially adversely affect us.

We maintain a large workforce. We necessarily depend on the skills and continued service of our employees. We also regularly seek to hire a large number of part-time and seasonal workers. We must be able to attract, engage, develop and retain a large and diverse global workforce and maintain an environment that supports our core values. If we are unable to hire, properly train or retain qualified employees, we could experience higher labor costs, reduced revenues, further increased workers' compensation and automobile liability claims, regulatory noncompliance, customer losses and diminution of our brand value or company culture, which could materially adversely affect us. Our ability to control labor costs has in the past been, and is expected to continue to be, subject to numerous factors, including turnover, training costs, regulatory changes, market pressures, inflation, unemployment levels and healthcare and other benefit costs.

In addition, our strategic initiatives, including transformation, have led and are expected to continue to lead to the creation of fewer, but more impactful, jobs as we strive to lower our cost to serve. Our inability to continue to retain experienced and motivated employees may also materially adversely affect us.

Strikes, work stoppages or slowdowns by our employees could materially adversely affect us.

Many of our U.S. employees are employed under a national master agreement and various supplemental agreements with local unions affiliated with the International Brotherhood of Teamsters (the "Teamsters"). These agreements run through July 31, 2023. Our airline pilots, airline mechanics, ground mechanics and certain other employees are employed under other collective bargaining agreements. In addition, some of our international employees are employed under collective bargaining or similar agreements. Actual or threatened strikes, work stoppages or slowdowns by our employees could adversely affect our ability to meet our customers' needs. We have begun negotiating the various supplemental agreements with the Teamsters and expect that negotiations with respect to the national master agreement will commence in April 2023. We are negotiating in good faith in an effort to reach an agreement that is in the best interests of our employees, the Teamsters and UPS; however, no assurances of our ability to do so, or the timing or terms thereof, can be provided. Customers may reduce their business or stop doing business with us if they believe that such actions or threatened actions may adversely affect our ability to provide services. We may permanently lose customers if we are unable to provide uninterrupted service, and this could materially adversely affect us. The terms of future collective bargaining agreements also may affect our competitive position and results of operations. Furthermore, our actions or responses to any such negotiations, labor disputes, strikes or work stoppages could negatively impact how our brand is perceived and our corporate reputation and have adverse effects on our business, including our results of operations.

Increased security requirements impose substantial costs on us and we could be the target of an attack or have a security breach, which could materially adversely affect us.

As a result of concerns about global terrorism and homeland security, various governments have adopted and may continue to adopt stricter security requirements, resulting in increased operating costs. Regulatory and legislative requirements may change periodically in response to evolving threats. We cannot determine the effect that any new requirements will have on our operations, cost structure or operating results, and new rules or other future security requirements may increase our operating costs and reduce operating efficiencies. Regardless of our compliance with security requirements or the steps we take to secure our facilities or fleet, we could also be the target of an attack or security breaches could occur, which could materially adversely affect us.

A significant data breach or information technology system disruption could materially adversely affect us.

We rely on information technology ("IT") networks and systems, including the internet and a number of internally-developed systems and applications, as well as certain technology systems from third-party vendors, to operate our business. For example, we rely on IT to receive package level information in advance of the physical receipt of packages, to move and track packages through our operations, to efficiently plan deliveries, to execute billing processes, and to track and report financial and operational data. Our franchise locations and subsidiaries also rely on IT systems to manage their business processes and activities.

In addition, our services, and the operation of our networks and systems involve the collection, storage and transmission of significant amounts of proprietary information and sensitive or confidential data, including personal information of customers, employees and others. We regularly move data across national borders, and are subject to a variety of evolving laws and regulations in the U.S. and abroad regarding privacy, data protection and data security. The scope of these laws is often uncertain and may be conflicting, particularly with respect to foreign laws. For example, the E.U.'s General Data Protection Regulation greatly increases the jurisdictional reach of, and potential penalties under, E.U. law, and adds a broad array of requirements for handling personal data, including the public disclosure of significant data breaches. In addition, China and other countries have also enacted or proposed stringent data localization laws which could significantly increase our costs, require us to make extensive system or operational changes, or adversely affect the value of our services.

IT systems (ours, as well as those of our franchisees, acquired businesses, and third-party service providers) are susceptible to damage, disruptions and shutdowns due to programming errors, defects or other vulnerabilities, power outages, hardware failures, computer viruses, cyber-attacks, ransomware or malware attacks, attacks by foreign governments and state-sponsored actors, theft, misconduct by employees or other insiders, telecommunications failures, misuse, human errors or other catastrophic events. These events, which have become more frequent and sophisticated, could, from time to time, cause material service outages, allow inappropriate or block legitimate access to systems or information, or result in other material interruptions in our business. In addition, the occurrence of any of these events could expose us, our customers, franchisees, service providers or others, to a risk of loss, disclosure or misuse of proprietary information and sensitive or confidential data, including personally identifiable information.

The techniques used to obtain unauthorized access, disable or degrade service or sabotage systems change frequently. In recent periods, the frequency and sophistication of cyber-attacks has increased, including as a result of state-sponsored cybersecurity attacks during periods of geopolitical conflict, such as the ongoing conflict in Ukraine. Accordingly, we may be unable to anticipate these techniques or to implement adequate measures to recognize, detect or prevent the occurrence of any of the events described above. We also may not discover the occurrence of any of the events described above for a significant period of time after the event occurs. Hybrid and remote working arrangements may heighten these risks.

We also depend on and interact with the IT networks and systems of third-parties for many aspects of our operations, including our customers, franchisees and service providers such as cloud service providers and third-party delivery services. These third parties may have access to information we maintain about our company, operations, customers, employees and vendors, or operating systems that are critical to or can significantly impact our business operations. These third parties are subject to risks resulting from data breaches, cyberattacks, IT systems disruptions, and other events or actions described above that could damage, disrupt or close down their networks or systems. Security processes, protocols and standards that we implement and contractual provisions requiring security measures that we impose on such third-parties may not be sufficient or effective at preventing such events. Any of these events could result in unauthorized access to, or disruptions or denials of access to, misuse or disclosure of, information or systems that are important to us, including proprietary information, sensitive or confidential data, and other information about our operations, customers, employees and suppliers, including personal information.

We have invested and expect to continue to invest in IT security initiatives, IT risk management and disaster recovery plans. The costs and operational consequences of implementing, maintaining and enhancing further data or system protection measures could increase significantly to overcome increasingly frequent, complex and sophisticated cyber threats and regulatory requirements. The occurrence of any of the events described above could result in material disruptions in our business, the loss of existing or potential customers, damage to our brand and reputation, additional regulatory scrutiny, litigation and other potential material liability. In addition, our customers' confidence in our ability to protect data and systems and to provide services consistent with their expectations could be impacted, further disrupting our operations. Similarly, an actual or alleged failure to comply with increasingly challenging U.S. and foreign data protection regulations or other data protection standards may expose us to litigation, fines, sanctions or other penalties. While we maintain cyber insurance, we cannot be certain that our coverage will be adequate for liabilities actually incurred, that insurance will continue to be available to us on economically reasonable terms, or at all, or that any insurer will not deny coverage as to any future claim. Although to date we are unaware of any material data breach or system disruption, including a cyber-attack, we cannot provide any assurances that such events and impacts will not occur and be material in the future. Our efforts to deter, identify, mitigate and/or eliminate future breaches may require significant additional effort and expense and may not be successful.

Failure to maintain our brand image and corporate reputation could materially adversely affect us.

Our success depends in part on our ability to maintain the image of the UPS brand and our reputation. Service quality issues, actual or perceived, could tarnish the image of our brand and may cause customers not to use UPS services. Also, adverse publicity or public sentiment surrounding labor relations, environmental, sustainability and governance ("ESG") concerns, physical or cyber security matters, political activities and similar matters, or attempts to connect our company to such issues, either in the U.S. or elsewhere, could materially adversely affect us. For example, damage to our reputation or loss of brand equity could require the allocation of resources to rebuild our reputation and restore the value of our brand.

Global climate change presents challenges to our business which could materially adversely affect us.

The effects of climate change present financial and operational risks to our business, both directly and indirectly. We have made several public statements regarding our intended reduction of carbon emissions, including our goal to achieve carbon neutrality in our global operations by 2050 and our other short- and mid-term environmental sustainability goals.

Our ability to meet our goals will depend in part on significant technological advancements with respect to the development and availability of reliable, affordable and sustainable alternative solutions that are outside of our control, including aviation fuel and alternative fuel vehicles. While we remain committed to being responsive to the effects of climate change and reducing our carbon footprint, there can be no assurances that our goals and strategic plans to achieve those goals will be successful, that the costs related to climate transition will not be higher than expected, that the necessary technological advancements will occur in the timeframe we expect, or at all, that the severity of and or the pace of negative climate-related effects will not accelerate faster than expected, or that proposed regulation or deregulation related to climate change will not have a negative competitive impact, any one of which could have a material adverse effect on our capital expenditures or other expenses, revenue or results of operations. Furthermore, methodologies for reporting climate-related information may be updated and previously reported information may be adjusted to reflect improvement in the availability and quality of third-party data, changing assumptions, changes in the nature and scope of our operations and other changes in circumstances. Our processes and controls for reporting climate-related information across our operations are evolving along with multiple disparate standards for identifying, measuring and reporting sustainability metrics, including disclosures that may be required by the SEC, European and other regulators, and such standards may change over time, which could result in significant revisions to our current goals, reported progress in achieving such goals, or our ability to achieve such goals in the future. Changes in regulation or technology impacting our business could require us to write down the carrying value of assets, which could result in material impairment charges.

Moreover, we may determine that it is in our best interests to prioritize other business, social, governance or sustainable investments over the achievement of our current goals based on economic, regulatory or social factors, business strategy or other factors. If we do not meet these goals or there is perception that we failed to meet these goals, then, in addition to regulatory and legal risks related to compliance, we could incur adverse publicity and reaction, which could adversely impact our reputation, and in turn adversely impact our results of operations.

Severe weather or other natural or man-made disasters could materially adversely affect us.

Weather conditions or other natural or man-made disasters and the increased severity or frequency thereof (including as a result of climate change), including storms, floods, fires, earthquakes, rising temperatures, epidemics, pandemics, conflicts, civil or political unrest, or terrorist attacks, have in the past and may in the future disrupt our business. Customers may reduce shipments, supply chains may be disrupted, demand may be negatively impacted or our costs to operate our business may increase, any of which could have a material adverse effect on us. Any such event affecting one of our major facilities could result in a significant interruption in or disruption of our business. A potential result of climate change is more frequent or more severe weather events or natural disasters. To the extent such weather events or natural disasters do become more frequent or severe, disruptions to our business and costs to repair damaged facilities or maintain or resume operations could increase.

Economic, political, or social developments and other risks associated with international operations could materially adversely affect us.

We have significant international operations. We are exposed to changing economic, political and social developments that are beyond our control. Emerging markets are often more volatile than those in other countries, and any broad-based downturn in these markets from any of those developments could reduce our revenues and materially adversely affect our business, financial condition and results of operations. We are subject to many laws governing our international operations, including those that prohibit improper payments to government officials and commercial customers, govern our environmental impact or labor matters, and restrict where we can do business, our shipments to certain countries and the information that we can provide to non-U.S. governments. Our failure to manage and anticipate these and other risks associated with our international operations could materially adversely affect us.

Our inability to effectively integrate any acquired operations and realize the anticipated benefits of any acquisitions, joint ventures, strategic alliances or dispositions could materially adversely affect us.

From time to time we acquire businesses, form joint ventures and strategic alliances, and dispose of operations. Whether we realize the anticipated benefits from these transactions depends, in part, upon successful integration between the businesses involved, the performance of the underlying operations, capabilities or technologies and the management of the acquired operations. Accordingly, our financial results could be materially adversely affected by our failure to effectively integrate acquired operations, unanticipated performance or other issues or transaction-related charges.

Financial Risks

We are exposed to the effects of changing fuel and energy prices, including gasoline, diesel and jet fuel, and interruptions in supplies of these commodities.

Fuel and energy costs have a significant impact on our operations. We require significant quantities of fuel for our aircraft and delivery vehicles and are exposed to the risks associated with variations in the market price for petroleum products, including gasoline, diesel and jet fuel. We seek to mitigate our exposure to changing fuel prices through our pricing strategy and may utilize hedging transactions from time to time. If we are unable to maintain or increase our fuel surcharges, higher fuel costs could materially adversely impact our operating results. Even if we are able to offset changes in fuel costs with surcharges, high fuel surcharges have in the past, and may in the future result in a shift from our higher-yielding products to lower-yielding products or an overall reduction in volume, revenue and profitability. There can also be no assurance that our strategy will be effective. Moreover, we could experience a disruption in energy supplies as a result of new or increased regulation, war or other conflicts, weather-related events or natural disasters, actions by producers (including as part of their own sustainability efforts) or other factors beyond our control, which could have a material adverse effect on us.

Changes in foreign currency exchange rates or interest rates may have a material adverse effect on us.

We conduct business in a number of countries, with a significant portion of our revenue derived from operations outside the United States. Our international operations are affected by changes in the exchange rates for local currencies, in particular the Euro, British Pound Sterling, Canadian Dollar, Chinese Renminbi and Hong Kong Dollar.

We are exposed to changes in interest rates, primarily on our short-term debt and that portion of our long-term debt that carries floating interest rates. Additionally, changes in interest rates impact the valuation of our pension and postretirement benefit obligations and the related costs recognized in the statements of consolidated income. The impact of changes in interest rates on our pension and postretirement benefit obligations and costs, and on our debt, is discussed further in Part I, "Item 7 - Critical Accounting Estimates," and Part II, "Item 7A - Quantitative and Qualitative Disclosures about Market Risk," respectively, of this report.

We monitor and manage foreign currency exchange rate and interest rate exposures, and use derivative instruments to mitigate the impact of changes in these rates on our financial condition and results of operations; however, changes in foreign currency exchange rates and interest rates cannot always be predicted or effectively hedged, and may have a material adverse effect on us.

Our business requires significant capital and other investments; if we do not accurately forecast our future investment needs, we could be materially adversely affected.

Our business requires significant capital investments, including in aircraft, vehicles, technology, facilities and sortation and other equipment. In addition to forecasting our capital investment requirements, we adjust other elements of our operations and cost structure in response to economic and regulatory conditions, and consistent with our long-term strategy and commitments. These investments support both our existing business and anticipated growth. Forecasting amounts, types and timing of investments involves many factors which are subject to uncertainty and may be beyond our control, such as general economic trends, revenues, profitability, changes in governmental regulation and competition. If we do not accurately forecast our future capital investment needs, we could under- or over-invest, or have excess capacity or insufficient capacity, any of which would negatively affect our revenues and profitability.

Employee health and retiree health and pension benefit costs represent a significant expense to us; further cost increases could materially adversely affect us.

Our employee health, retiree health and pension benefit expenses are significant. In recent years, we have experienced significant increases in some of these costs, in particular, ongoing increases in healthcare costs in excess of the rate of inflation and historically low discount rates that we use to value our company-sponsored defined benefit plan obligations. Increasing healthcare costs, volatility in investment returns and discount rates, as well as changes in laws, regulations and assumptions used to calculate retiree health and pension benefit expenses, may materially adversely affect our business, financial condition, or results of operations, and have required, and may in the future require significant contributions to our benefit plans. Our national master agreement with the Teamsters includes provisions that are designed to mitigate certain healthcare expenses, but there can be no assurance that our efforts will be successful or that these efforts will not materially adversely affect us.

We participate in various trustee-managed multiemployer pension and health and welfare plans for employees covered under collective bargaining agreements. As part of the overall collective bargaining process for wage and benefit levels, we have agreed to contribute certain amounts to the multiemployer benefit plans during the contract period. The multiemployer benefit plans set benefit levels and are responsible for benefit delivery to participants. Future contribution amounts to multiemployer benefit plans will be determined through collective bargaining. However, in future collective bargaining negotiations, we could agree to make significantly higher future contributions to one or more of these plans. At this time, we are unable to determine the amount of additional future contributions, if any, or whether any material adverse effect on us could result from our participation in these plans.

In addition to our ongoing multiemployer pension plan obligations, we may have an obligation in the future to pay significant coordinating benefits previously earned by UPS employees in the Central States Pension Fund (the "CSPF"). For additional information on our potential liabilities related to the CSPF, see note 5 to the audited, consolidated financial statements.

Insurance and claims expense could materially adversely affect us.

We have a combination of both self-insurance and high-deductible insurance programs for the risks arising out of our business and operations, including claims exposure resulting from cargo loss, personal injury, property damage, aircraft and related liabilities, business interruption and workers' compensation. Self-insured workers' compensation, automobile and general liabilities are determined using actuarial estimates of the aggregate liability for claims incurred and an estimate of incurred but not reported claims, on an undiscounted basis. Our accruals for insurance reserves reflect certain actuarial assumptions and management judgments, which are subject to a high degree of variability. If the number or severity of claims for which we are retaining risk continues to increase, our financial condition and results of operations could be materially adversely affected. If we lose our ability to, or decide not to, self-insure these risks, our insurance cost could materially increase and we may find it difficult to obtain adequate levels of insurance coverage.

Changes in markets and our business plans have resulted, and may in the future result, in substantial impairments of the carrying value of our assets, thereby reducing our net income.

We regularly assess the carrying values of our assets relative to their estimated fair values. The determination of fair value is dependent on a significant number of estimates and assumptions that could be impacted by a variety of factors, including changes in business strategy, revenue, expenses, government regulations, including regulation related to climate change, costs of capital and economic or market conditions. The use of different estimates or assumptions could also result in different estimates of fair value. Our estimates of fair value have resulted from time to time, and may in the future result, in substantial impairments of our assets. In addition, we have been and may be required in the future to recognize increased depreciation and amortization charges if we determine the useful lives or salvage values of our assets are less than we originally estimated. Such changes have in the past, and may in the future, reduce our net income.

We may have significant additional tax liabilities that could materially adversely affect us.

We are subject to income taxes in the U.S. and many foreign jurisdictions. Significant judgment is required in determining our worldwide provision for income taxes. There are many transactions and calculations where the ultimate tax determination is uncertain.

We are regularly under audit by tax authorities in many jurisdictions. Economic and political pressures to increase tax revenue may make resolving tax disputes more difficult. The final determination of tax audits and any related litigation could be materially different from our historical income tax provisions and accruals. In addition, changes in U.S. federal and state or international tax laws, other fundamental law changes currently being considered by many countries, and changes in taxing jurisdictions' administrative interpretations, decisions, policies and positions may materially adversely impact our tax expense and cash flows.

Regulatory and Legal Risks

Increasingly complex and stringent laws, regulations and policies could materially increase our operating costs.

We are subject to complex and stringent aviation, transportation, environmental, security, labor, employment, safety, privacy, disclosure and data protection and other governmental laws, regulations and policies, both in the U.S. and internationally. In addition, we are impacted by laws, regulations and policies that affect global trade, including tariff and trade policies, export requirements, embargoes, sanctions, taxes, monetary policies and other restrictions and charges. Trade discussions and arrangements between the U.S. and various of its trading partners are fluid, and existing and future trade agreements are, and are expected to continue to be, subject to a number of uncertainties, including the imposition of new tariffs or adjustments and changes to the products covered by existing tariffs. The impact of new laws, regulations and policies or decisions or interpretations by authorities applying those laws and regulations, cannot be predicted. Compliance with any new laws, regulations or policies may increase our operating costs or require significant capital expenditures. Any failure to comply with applicable laws, regulations or policies in the U.S. or other countries could result in substantial fines or possible revocation of our authority to conduct our operations, which could materially adversely affect us.

Increasingly stringent regulations related to climate change could materially increase our operating costs.

Regulation of greenhouse gas ("GHG") emissions exposes us to potentially significant new taxes, fees and other costs. Compliance with such regulation, and any increased or additional regulation, or the associated costs is further complicated by the fact that various countries and regions may adopt different approaches to climate change regulation.

For example, in 2016, the International Civil Aviation Organization ("ICAO") adopted the Carbon Offsetting and Reduction Scheme for International Aviation ("CORSIA"), which is a global, market-based emissions offset program to encourage carbon-neutral growth. A voluntary participation pilot phase began in 2021, and full mandatory participation is scheduled to begin in 2027. ICAO continues to develop details regarding implementation, but compliance with CORSIA will increase our operating costs.

In the U.S., Congress has considered but, to date, not passed various bills that would regulate GHG emissions. Nevertheless, we believe some form of federal climate change legislation is possible in the future. Even in the absence of such legislation, the Environmental Protection Agency could determine to regulate GHG emissions, especially aircraft or diesel engine emissions, and this could impose substantial costs on us.

In addition, the impact that the re-entry into the Paris climate accord may have on future U.S. policy regarding GHG emissions, on CORSIA and on other GHG regulation remains uncertain. The extent to which other countries implement that accord could also have a material adverse effect on us.

Increased regulation relating to GHG emissions in the U.S. or abroad, especially aircraft or diesel engine emissions, could, among other things, increase the cost of fuel and other energy we purchase and the capital costs associated with updating or replacing our aircraft or vehicles prematurely. We cannot predict the impact any future regulation will have on our cost structure or our operating results. It is likely that such regulation could significantly increase our operating costs and that we may not be willing or able to pass such costs along to our customers. Moreover, even without such regulation, increased awareness and any adverse publicity in the global marketplace about the GHGs emitted by companies in the airline and transportation industries could harm our reputation and reduce customer demand for our services, especially our air services.

We may be subject to various claims and lawsuits that could result in significant expenditures which may materially adversely affect us.

The nature of our business exposes us to the potential for various claims and litigation related to labor and employment, personal injury, property damage, business practices, environmental liability and other matters. Any material litigation or a catastrophic accident or series of accidents could result in significant expenditures and have a material adverse effect on us.

Item 1B. *Unresolved Staff Comments*

None.

Information About Our Executive Officers

For information about our executive officers, see Part III, "Item 10. Directors, Executive Officers and Corporate Governance".

Item 2. *Properties*

Operating Facilities

We own our corporate headquarters in Atlanta, Georgia, our UPS Supply Chain Solutions headquarters, located in Alpharetta, Georgia and our information technology headquarters, located in Parsippany, New Jersey. Our primary information technology operations are consolidated in an owned facility in New Jersey and we own a backup facility in Georgia.

We own or lease over 1,000 package operating facilities in the U.S., with approximately 85 million square feet of floor space. These facilities have vehicles and drivers stationed for the pickup and delivery of packages, and capacity to sort and transfer packages. Our larger facilities also service our vehicles and equipment, and employ specialized mechanical equipment for the sorting and handling of packages. We own or lease approximately 800 facilities that support our international package operations, with approximately 21 million square feet of floor space.

Our aircraft are operated in a hub and spoke pattern in the U.S., with our principal air hub, Worldport, located in Louisville, Kentucky. Our major air hub in Europe is located in Germany, and in Asia we operate two major air hubs in China and one in Hong Kong.

We own or lease more than 600 facilities, with approximately 47 million square feet of floor space, which support our freight forwarding and logistics operations. This includes approximately 17 million square feet of healthcare-compliant warehousing. We own and operate a logistics campus consisting of approximately 4 million square feet in Louisville, Kentucky.

Fleet

Aircraft

The following table shows information about our aircraft fleet as of December 31, 2022:

Description	Owned & Finance Leases	Operating Leases & Charters From Others	On Order	Under Option
Boeing 757-200	75	—	—	—
Boeing 767-300	72	—	28	—
Boeing 767-300BCF	5	—	—	—
Boeing 767-300BDSF	4	—	—	—
Airbus A300-600	52	—	—	—
Boeing MD-11 ⁽¹⁾	42	—	—	—
Boeing 747-400F	11	—	—	—
Boeing 747-400BCF	2	—	—	—
Boeing 747-8F	28	—	2	—
Other	—	295	—	—
Total	291	295	30	—

⁽¹⁾Six MD-11 aircraft are expected to be retired from operational use during 2023. During the fourth quarter of 2022, we reduced the estimated salvage value of our MD-11 fleet. For additional information see "Critical Accounting Estimates" within Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Part II of this report.

Vehicles

We operate a global ground fleet of approximately 125,000 package cars, vans, tractors and motorcycles, including more than 15,000 alternative fuel and advanced technology vehicles.

Item 3. Legal Proceedings

See note 10 to the audited, consolidated financial statements for a discussion of judicial proceedings and other matters arising from the conduct of our business activities.

Item 4. Mine Safety Disclosures

Not applicable.

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Our class A common stock is not listed on a national securities exchange or traded in an organized over-the-counter market, but each share of our class A common stock is convertible into one share of our class B common stock. Our class B common stock is listed on the New York Stock Exchange under the symbol "UPS".

As of February 3, 2023, there were 162,173 and 20,119 shareowners of record of class A and class B common stock, respectively.

Our practice has been to pay dividends on a quarterly basis. The declaration of dividends is subject to the discretion of the Board of Directors and will depend on various factors, including our net income, financial condition, cash requirements, future prospects and other relevant factors.

On January 25, 2023, our Board declared a dividend of \$1.62 per share, which is payable on March 10, 2023 to shareowners of record on February 21, 2023.

A summary of repurchases of our class B common stock during the fourth quarter of 2022 is as follows (in millions, except per share amounts):

	Total Number of Shares Purchased ⁽¹⁾	Average Price Paid Per Share	Total Number of Shares Purchased as Part of a Publicly Announced Program	Approximate Dollar Value of Shares that May Yet be Purchased Under the Program
October 1 - October 31, 2022	0.6	\$ 165.02	0.6	\$ 2,210
November 1 - November 30, 2022	0.8	171.39	0.8	2,073
December 1 - December 31, 2022	6.0	180.57	6.0	\$ 1,000
Total October 1 - December 31, 2022	7.4	\$ 178.33	7.4	

⁽¹⁾ Includes shares repurchased through our publicly announced share repurchase programs and shares tendered to pay the exercise price and tax withholding on employee stock options.

In August 2021, the Board of Directors approved a share repurchase authorization of \$5.0 billion of class A and class B common stock. During the year ended December 31, 2022, we repurchased 19.0 million shares of class B common stock for \$3.5 billion under this program. We had approximately \$1.0 billion available under this authorization as of December 31, 2022.

In January 2023, the Board of Directors terminated this authorization and approved a new share repurchase authorization of \$5.0 billion for class A and class B common stock. We anticipate repurchasing approximately \$3.0 billion in shares in 2023.

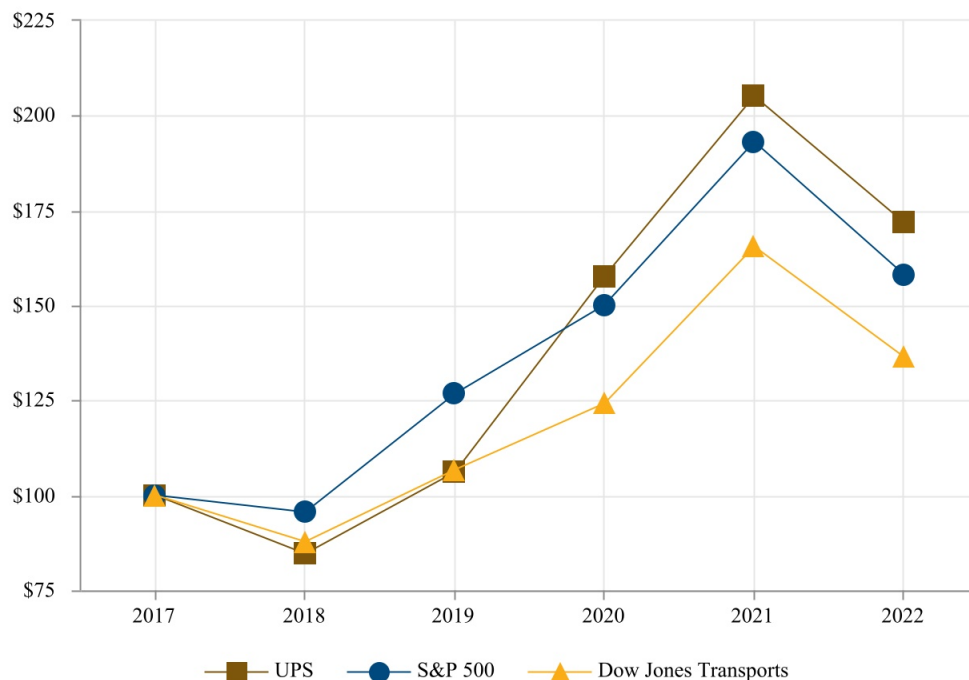
For additional information on our share repurchase activities, see note 12 to the audited, consolidated financial statements.

Shareowner Return Performance Graph

The following performance graph and related information shall not be deemed "soliciting material" or to be "filed" with the SEC, nor shall such information be incorporated by reference into any future filing under the Securities Act of 1933 or Securities Exchange Act of 1934, each as amended, except to the extent that the Company specifically incorporates such information by reference into such filing.

The following graph shows a five-year comparison of cumulative total shareowners' returns for our class B common stock, the Standard & Poor's 500 Index and the Dow Jones Transportation Average. The comparison of the total cumulative return on investment, which is the change in the stock price plus reinvested dividends for each of the quarterly periods, assumes that \$100 was invested on December 31, 2017 in the Standard & Poor's 500 Index, the Dow Jones Transportation Average and our class B common stock.

Comparison of Five-Year Cumulative Total Return



	12/31/2017	12/31/2018	12/31/2019	12/31/2020	12/31/2021	12/31/2022
United Parcel Service, Inc.	\$ 100.00	\$ 84.52	\$ 106.07	\$ 157.72	\$ 205.07	\$ 171.71
Standard & Poor's 500 Index	\$ 100.00	\$ 95.61	\$ 126.79	\$ 150.11	\$ 193.16	\$ 158.14
Dow Jones Transportation Average	\$ 100.00	\$ 87.67	\$ 106.65	\$ 124.27	\$ 165.54	\$ 136.36

For information regarding our equity compensation plans, see Item 12 of this report.

Item 6. [Reserved]

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

Overview

We continue to execute our *Customer First, People Led, Innovation Driven* strategy, focusing on the parts of our market that value our integrated global network and building capabilities that matter to our customers. We are shifting our strategic framework to *Better and Bolder* by seeking to enhance customer engagement through combining our network with digital capabilities to drive new services, while at the same time increasing efficiencies and remaining disciplined with capital allocation.

A number of macroeconomic factors contributed to a challenging operating environment in 2022, including global inflation and rising interest rates, recessionary forecasts, wage and labor market pressures, geopolitical uncertainties and foreign currency exchange rates relative to the United States ("U.S.") Dollar. We continued to be affected by COVID-19 lockdowns in China that impacted both manufacturing and supply chains. In addition, consumers returned to more pre-pandemic shopping patterns. These factors resulted in disruptions to certain parts of our business, negatively impacted demand for our services and contributed to increases in certain of our operating costs. We anticipate these factors will continue to impact us into 2023. We expect we may experience additional uncertainty related to the upcoming renegotiation of certain of our union labor agreements.

Despite the challenging macroeconomic environment, our strategic execution strengthened our balance sheet and resulted in the generation of strong cash flows for the year. We retired \$2.0 billion of debt, reinvested in the business and returned cash to shareowners through dividends and share repurchases. We also completed the acquisition of Delivery Solutions, a digital platform that optimizes customer deliveries across multiple networks, and the acquisition of Bomi Group, which will accelerate our growth in healthcare logistics by expanding our footprint and bringing additional expertise in cold chain logistics. Neither acquisition had a material impact on our results of operations for the year. See note 8 to the audited, consolidated financial statements for additional information on business acquisitions.

We have two reportable segments: U.S. Domestic Package and International Package, which are together referred to as our global small package operations. Our remaining businesses are reported as Supply Chain Solutions.

Highlights of our results for the years ended December 31, 2022 and 2021, which are discussed in more detail in the sections that follow, include:

	Year Ended December 31,		Change	
	2022	2021	\$	%
Revenue (in millions)	\$ 100,338	\$ 97,287	\$ 3,051	3.1 %
Operating Expenses (in millions)	87,244	84,477	2,767	3.3 %
Operating Profit (in millions)	\$ 13,094	\$ 12,810	\$ 284	2.2 %
Operating Margin	13.0 %	13.2 %		
Net Income (in millions)	\$ 11,548	\$ 12,890	\$ (1,342)	(10.4)%
Basic Earnings Per Share	\$ 13.26	\$ 14.75	\$ (1.49)	(10.1)%
Diluted Earnings Per Share	\$ 13.20	\$ 14.68	\$ (1.48)	(10.1)%
Operating Days	255	254		
Average Daily Package Volume (in thousands)	24,291	25,250		(3.8)%
Average Revenue Per Piece	\$ 13.38	\$ 12.32	\$ 1.06	8.6 %

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- Average daily package volume in our global small package operations decreased, primarily due to lower levels of business-to-consumer shipping.
- Revenue increased due to strong revenue per piece growth, with most of the increase in our U.S. Domestic Package segment. Revenue in Supply Chain Solutions decreased.
- Operating expenses increased, driven by higher fuel prices and higher compensation and benefits expense, primarily in our U.S. Domestic Package segment.
- Operating profit and operating margin increased, with the increases coming from the U.S. Domestic Package segment and Supply Chain Solutions, while operating profit and operating margin declined in the International Package segment.
- We reported net income of \$11.5 billion and diluted earnings per share of \$13.20. Adjusted diluted earnings per share was \$12.94 after adjusting for the after-tax impacts of:
 - defined benefit pension and postretirement medical benefit plan mark-to-market gains outside of a 10% corridor, together with defined benefit pension plan curtailment gains, totaling \$806 million, or \$0.92 per diluted share;
 - a one-time, non-cash charge related to the accelerated vesting of certain equity awards in connection with an incentive compensation program design change of \$384 million, or \$0.44 per diluted share;
 - a one-time, non-cash charge in connection with a reduction in the estimated residual value of our MD-11 aircraft of \$58 million, or \$0.07 per diluted share; and
 - transformation strategy costs of \$142 million, or \$0.15 per diluted share.

In the U.S. Domestic Package segment, revenue growth resulted from higher fuel revenue, driven by increases in both price per gallon and in fuel surcharge rates as part of our pricing initiatives, as well as improvements in revenue quality and customer mix. Expenses increased due to higher fuel prices and higher compensation and benefits costs, which were partially offset by declines in purchased transportation costs and higher productivity as we executed our strategy.

In our International Package segment, revenue increased slightly, driven by fuel revenue, revenue quality actions and favorable shifts in customer and product mix. These increases were mostly offset by lower volume, the impact of the strengthening U.S. Dollar and reductions in demand-related surcharges, primarily in the fourth quarter. Expense increases were primarily driven by higher fuel prices, partially offset by favorable currency impacts and volume declines.

In Supply Chain Solutions, the decrease in revenue was driven by volume and market rate declines in Forwarding, as well as the impact of divesting UPS Freight in 2021. These decreases were partially offset by growth in our healthcare operations and in a number of our other businesses. Expenses decreased, driven by lower transportation costs in Forwarding and a reduction in operating expenses due to the divestiture of UPS Freight. These decreases were partially offset by higher operating costs in Logistics.

2021 compared to 2020

See *Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations* of the Company's Annual Report on Form 10-K for the year ended December 31, 2021 filed with the Securities and Exchange Commission on February 22, 2022.

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Supplemental Information - Items Affecting Comparability

We supplement the reporting of our financial information determined under generally accepted accounting principles in the United States ("GAAP") with certain non-GAAP financial measures.

Adjusted financial measures should be considered in addition to, and not as an alternative for, our reported results prepared in accordance with GAAP. Our adjusted financial measures do not represent a comprehensive basis of accounting and therefore may not be comparable to similarly titled measures reported by other companies.

Adjusted amounts reflect the following (in millions):

	Year Ended December 31,	
	2022	2021
Non-GAAP Adjustments		
Operating Expenses:		
Incentive Compensation Program Design Changes	\$ 505	\$ —
Long-Lived Asset Estimated Residual Value Changes	76	—
Transformation Strategy Costs	178	380
Goodwill and Asset Impairment Charges, and Divestitures	—	(46)
Total Adjustments to Operating Expenses	\$ 759	\$ 334
Other Income and (Expense):		
Defined Benefit Pension and Postretirement Medical Plan (Gains) and Losses	\$ (1,061)	\$ (3,272)
Total Adjustments to Other Income and (Expense)	\$ (1,061)	\$ (3,272)
Total Adjustments to Income Before Income Taxes	\$ (302)	\$ (2,938)
Income Tax (Benefit) Expense:		
Incentive Compensation Program Design Changes	\$ (121)	\$ —
Long-Lived Asset Estimated Residual Value Changes	(18)	—
Transformation Strategy Costs	(36)	(95)
Goodwill and Asset Impairment Charges, and Divestitures	—	11
Defined Benefit Pension and Postretirement Medical Plan (Gains) and Losses	255	784
Total Adjustments to Income Tax Expense	\$ 80	\$ 700
Total Adjustments to Net Income	\$ (222)	\$ (2,238)

These items have been excluded from the following discussions of "adjusted" compensation and benefits, operating expenses, operating profit, operating margin, other income and (expense), income tax expense and effective tax rate. The income tax impacts of these items are calculated by multiplying the statutory tax rates applicable in each tax jurisdiction, including the U.S. federal jurisdiction and various U.S. state and non-U.S. jurisdictions, by the tax-deductible adjustments. The blended average effective income tax rates for the years ended December 31, 2022 and 2021 were 26.5% and 23.8%, respectively.

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Incentive Compensation Program Design Changes

During 2022, we completed certain structural changes to the design of our incentive compensation programs that resulted in a one-time, non-cash charge in connection with the accelerated vesting of certain equity incentive awards that we do not expect to repeat. We supplement the presentation of our operating profit, operating margin, income before income taxes, net income and earnings per share with non-GAAP measures that exclude the impact of these changes. We believe excluding the impacts of such changes allows users of our financial statements to more appropriately identify underlying growth trends in compensation and benefits expense. For information regarding incentive compensation program design changes, see note 13 to the audited, consolidated financial statements.

Long-lived Asset Estimated Residual Value Changes

During the fourth quarter of 2022, we determined to retire six of our existing MD-11 aircraft from operational use in 2023. In connection therewith, we reduced the estimated residual value of our MD-11 fleet, incurring a one-time, non-cash charge on our fully-depreciated aircraft. This charge was allocated between our domestic package and international package segments. We supplement the presentation of our operating profit, operating margin, income before income taxes, net income and earnings per share with non-GAAP measures that exclude the impact of this charge. We believe excluding the impact of this charge better enables users of our financial statements to understand the ongoing cost associated with our long-lived assets. For information regarding residual values, see note 4 to the audited, consolidated financial statements.

Transformation Charges, and Goodwill, Asset Impairment and Divestiture Charges

We supplement the presentation of our operating profit, operating margin, income before income taxes, net income and earnings per share with non-GAAP measures that exclude the impact of charges related to transformation activities, and goodwill, asset impairment and divestiture charges. We believe excluding the impact of these charges better enables users of our financial statements to view underlying business performance from the perspective of management. We do not consider these costs when evaluating the operating performance of our business units, making decisions to allocate resources or in determining incentive compensation awards. For more information regarding transformation activities, see note 18 to the audited, consolidated financial statements. For more information regarding goodwill and asset impairment charges, and divestitures, see note 1 and note 7 to the audited, consolidated financial statements.

Foreign Currency Exchange Rate Changes and Hedging Activities

We supplement the reporting of revenue, revenue per piece and operating profit with adjusted measures that exclude the period over period impact of foreign currency exchange rate changes and hedging activities. We believe currency-neutral revenue, revenue per piece and operating profit information allows users of our financial statements to understand growth trends in our products and results. We evaluate the performance of International Package and Supply Chain Solutions on this currency-neutral basis.

Currency-neutral revenue, revenue per piece and operating profit are calculated by dividing current period reported U.S. Dollar revenue, revenue per piece and operating profit by the current period average exchange rates to derive current period local currency revenue, revenue per piece and operating profit. The derived amounts are then multiplied by the average foreign currency exchange rates used to translate the comparable results for each month in the prior year period (including the period over period impact of foreign currency hedging activities). The difference between the current period reported U.S. Dollar revenue, revenue per piece and operating profit and the derived current period U.S. Dollar revenue, revenue per piece and operating profit is the period over period impact of currency fluctuations.

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Defined Benefit Pension and Postretirement Medical Plan Gains and Losses

We incur certain employment-related expenses associated with pension and postretirement medical benefits. These pension and postretirement medical benefits costs for company-sponsored defined benefit plans are calculated using various actuarial assumptions and methodologies, including discount rates, expected returns on plan assets, healthcare cost trend rates, inflation, compensation increase rates, mortality rates and coordination of benefits with plans not sponsored by UPS. Actuarial assumptions are reviewed on an annual basis, unless circumstances require an interim remeasurement of any of our plans.

We recognize changes in the fair value of plan assets and net actuarial gains and losses in excess of a 10% corridor (defined as 10% of the greater of the fair value of plan assets or the plan's projected benefit obligation), as well as gains and losses resulting from plan curtailments and settlements, for our defined benefit pension and postretirement medical plans immediately as part of *Investment income (expense) and other* in the statements of consolidated income. We supplement the presentation of our income before income taxes, net income and earnings per share with adjusted measures that exclude the impact of these gains and losses and the related income tax effects. We believe excluding these defined benefit pension and postretirement medical plan gains and losses provides important supplemental information by removing the volatility associated with plan amendments and short-term changes in market interest rates, equity values and similar factors.

The remeasurement of our defined benefit pension and postretirement medical plans' assets and liabilities resulted in gains of \$1.1 and \$3.3 billion for the years ended December 31, 2022 and 2021, respectively. The table below shows the amounts associated with each component of these gains, as well as the weighted-average actuarial assumptions used to determine our net periodic benefit cost, for each year:

Components of defined benefit plan gain (loss) (in millions):	Year Ended December 31,	
	2022	2021
Discount rates	\$ 5,210	\$ 1,871
Return on assets	(4,130)	(269)
Demographic and other assumption changes	(53)	(97)
Coordinating benefits attributable to the Central States Pension Fund	—	1,767
Total mark-to-market gain (loss)	1,027	3,272
Curtailment gain	34	—
Total defined benefit plan gain (loss)	\$ 1,061	\$ 3,272

Weighted-average actuarial assumptions:	Year Ended December 31,	
	2022	2021
Expected rate of return on plan assets used in determining net periodic benefit cost	5.83 %	6.40 %
Actual rate of return on plan assets	(24.11)%	9.11 %
Discount rate used in determining net periodic benefit cost	3.11 %	2.87 %
Discount rate at measurement date	5.77 %	3.11 %

The pre-tax defined benefit plan gains and losses for the years ended December 31, 2022 and 2021 consisted of the following:

2022 - \$1.1 billion pre-tax defined benefit plan gain:

- *Discount Rates* (\$5.2 billion pre-tax gain): The weighted-average discount rate for our pension and postretirement medical plans increased from 3.11% as of December 31, 2021 to 5.77% as of December 31, 2022, primarily due to an increase in U.S. treasury yields as well as an increase in credit spreads on AA-rated corporate bonds in 2022.
- *Return on Assets* (\$4.1 billion pre-tax loss): In 2022, the actual rate of return on plan assets was lower than our expected rate of return, primarily due to weaker global equity and U.S. bond market performance.
- *Demographic and Other Assumption Changes* (\$0.1 billion pre-tax loss): This loss was due to the differences between actual and estimated participant data and demographic factors, including healthcare cost trends, compensation rate increases and rates of termination, retirement and mortality.

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2021 - \$3.3 billion pre-tax defined benefit plan gain, primarily due to the impact of the interim remeasurement of the UPS/IBT Plan in the first quarter of 2021 as described in note 5 to the audited, consolidated financial statements:

- *Discount Rates* (\$1.9 billion pre-tax gain): This gain was largely attributable to an increase in the discount rate for the UPS/IBT Plan from 2.98% as of December 31, 2020 to 3.70% as of March 31, 2021, driven by an increase in U.S. treasury yields in 2021.
- *Return on Assets* (\$0.3 billion pre-tax loss): This loss was driven by the actual rate of return on plan assets being approximately 220 basis points lower than our expected rate of return as of March 31, 2021, primarily due to weak global equity and U.S. bond market performance.
- *Demographic and Other Assumption Changes* (\$0.1 billion pre-tax loss): This loss was due to the differences between actual and estimated participant data and demographic factors, including healthcare cost trends, compensation rate increases and rates of termination, retirement and mortality.
- *Coordinating benefits attributable to the Central States Pension Fund* (\$1.8 billion pre-tax gain): This represents a reduction of the liability for potential coordinating benefits that may be required to be paid related to the Central States Pension Fund.

Expense Allocations

Certain operating expenses are allocated between our operating segments using activity-based costing methods. These activity-based costing methods require us to make estimates that impact the amount of each expense category that is attributed to each segment. Changes in these estimates directly impact the amount of expense allocated to each segment and therefore the operating profit of each reporting segment. Our allocation methodologies are refined periodically, as necessary, to reflect changes in our businesses. There were no significant changes to our allocation methodologies for 2022 relative to 2021.

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U.S. Domestic Package

	Year Ended December 31,		Change	
	2022	2021	\$	%
Average Daily Package Volume (in thousands):				
Next Day Air	1,992	2,093		(4.8)%
Deferred	1,553	1,723		(9.9)%
Ground	17,242	17,646		(2.3)%
Total Average Daily Package Volume	20,787	21,462		(3.1)%
Average Revenue Per Piece:				
Next Day Air	\$ 21.06	\$ 18.83	\$ 2.23	11.8 %
Deferred	15.07	13.36	1.71	12.8 %
Ground	10.81	9.92	0.89	9.0 %
Total Average Revenue Per Piece	\$ 12.11	\$ 11.06	\$ 1.05	9.5 %
Operating Days in Period	255	254		
Revenue (in millions):				
Next Day Air	\$ 10,699	\$ 10,009	\$ 690	6.9 %
Deferred	5,968	5,846	122	2.1 %
Ground	47,542	44,462	3,080	6.9 %
Total Revenue	\$ 64,209	\$ 60,317	\$ 3,892	6.5 %
Operating Expenses (in millions):				
Operating Expenses	\$ 57,212	\$ 53,881	\$ 3,331	6.2 %
Incentive Compensation Program Design Changes	(431)	—	(431)	N/A
Long-Lived Asset Estimated Residual Value Changes	(25)	—	(25)	N/A
Transformation Strategy Costs	(121)	(281)	160	(56.9)%
Adjusted Operating Expenses	\$ 56,635	\$ 53,600	\$ 3,035	5.7 %
Operating Profit (in millions) and Operating Margin:				
Operating Profit	\$ 6,997	\$ 6,436	\$ 561	8.7 %
Adjusted Operating Profit	\$ 7,574	\$ 6,717	\$ 857	12.8 %
Operating Margin	10.9 %	10.7 %		
Adjusted Operating Margin	11.8 %	11.1 %		

Revenue

The change in revenue was due to the following factors:

Revenue Change Drivers:	Volume	Rates / Product Mix	Fuel Surcharge	Total Revenue Change
2022 vs. 2021	(2.8) %	4.3 %	5.0 %	6.5 %

Revenue also benefited from one additional operating day in 2022 compared to 2021.

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Volume

Average daily volume decreased, driven by a 5.1% reduction in residential shipments. The decline in residential shipments was driven by declines from our largest customer in accordance with our agreed upon contract terms as we continued to execute within our strategy. This decline was slightly offset by growth from small- and medium-sized businesses ("SMBs"), including the expansion of our Digital Access Program. Macroeconomic factors, including rising interest rates and inflation, and the shift in consumer spending back towards services and in-store shopping also contributed to the residential volume decline. Business-to-consumer shipments represented approximately 59.4% of average daily volume compared to 60.7% in 2021.

Business-to-business shipments remained relatively flat compared to 2021. Commercial activity increased in the first half of the year, but declined in the second half of 2022, primarily from industry sectors that are more sensitive to the macroeconomic factors discussed above.

We anticipate overall average daily volume year-over-year growth rates will continue to decline in the first half of 2023 and then grow through the remainder of the year as economic conditions improve.

Within our Air products, average daily volume decreases were driven by lower volumes from certain large customers, as well as shifts in product preferences during the second half of the year.

Ground residential average daily volume decreased 4.3%, driven by the declines discussed above. SurePost volume remained relatively flat for the year. Ground commercial volume increased 0.6%, driven by growth from SMBs and large customers in the first half of 2022 that was largely offset by volume declines in the second half of the year.

Rates and Product Mix

Revenue per piece in our Air and Ground products increased for the full year, driven by base rate increases and other pricing actions, and favorable changes in customer mix. A shift in product mix during the second half of the year, and declines in demand-related surcharges, slightly offset these increases. Rates for Air and Ground products increased an average of 5.9% in December 2021. In our Next Day Air and Deferred products, revenue per piece growth was negatively impacted by a reduction in average billable weight per piece.

We anticipate moderate revenue per piece growth in 2023 as we continue to execute on pricing initiatives within our strategy.

Fuel Surcharges

We apply a fuel surcharge on our domestic air and ground services that adjusts weekly. Our air fuel surcharge is based on the U.S. Department of Energy's ("DOE") Gulf Coast spot price for a gallon of kerosene-type fuel, and our ground fuel surcharge is based on the DOE's On-Highway Diesel Fuel price.

Fuel surcharge revenue increased \$3.0 billion, driven by increases in price per gallon and increases in fuel surcharges as part of our pricing initiatives. We expect a reduction in fuel surcharge revenue in 2023 based on the current commodity market outlook.

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Operating Expenses

Operating expenses and adjusted operating expenses increased year over year. The increase includes the impact of one additional operating day. The cost of operating our integrated air and ground network increased \$858 million and pickup and delivery costs increased \$1.5 billion. Other indirect operating costs increased \$498 million and package sorting costs increased \$163 million. These increases primarily consisted of the following:

- Higher fuel costs, primarily attributable to increases in the price of jet fuel, diesel and gasoline. As noted above, we expect fuel prices to decline in 2023.
- Increases in employee benefits expense for our union workforce, driven by contractual rate increases for contributions to multiemployer benefit plans, as well as higher year-over-year service cost for our company-sponsored pension plans.
- Higher compensation expense due to contractual rate increases and cost of living and market-rate adjustments for our union workforce, that were partially offset by a decrease in union labor hours.
- Inflationary pressures that contributed to cost increases in repairs and maintenance and facility operating costs.

These increases were partially offset by lower purchased transportation costs due to a reduction in ground volume handled by third-party carriers and continued productivity initiatives as we executed within our strategy.

Total cost per piece increased 9.2% for the year and adjusted cost per piece increased 8.6%, for the reasons described above. We anticipate that the cost per piece growth rate will be elevated in the first quarter of 2023 and will then moderate throughout the remainder of the year. We expect our productivity initiatives will continue to help offset rising compensation and benefit costs.

Operating Profit and Margin

As a result of the factors described above, operating profit increased \$561 million, with operating margin increasing 20 basis points to 10.9%. Adjusted operating profit increased \$857 million, with adjusted operating margin increasing 70 basis points to 11.8%.

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International Package

	Year Ended December 31,		Change	
	2022	2021	\$	%
Average Daily Package Volume (in thousands):				
Domestic	1,759	1,988		(11.5)%
Export	1,745	1,800		(3.1)%
Total Average Daily Package Volume	3,504	3,788		(7.5)%
Average Revenue Per Piece:				
Domestic	\$ 7.46	\$ 7.31	\$ 0.15	2.1 %
Export	34.48	32.83	1.65	5.0 %
Total Average Revenue Per Piece	\$ 20.91	\$ 19.44	\$ 1.47	7.6 %
Operating Days in Period				
	255	254		
Revenue (in millions):				
Domestic	\$ 3,346	\$ 3,690	\$ (344)	(9.3)%
Export	15,341	15,012	329	2.2 %
Cargo & Other	1,011	839	172	20.5 %
Total Revenue	\$ 19,698	\$ 19,541	\$ 157	0.8 %
Operating Expenses (in millions):				
Operating Expenses	\$ 15,372	\$ 14,895	\$ 477	3.2 %
Incentive Compensation Program Design Changes	(30)	—	(30)	N/A
Long-Lived Asset Estimated Residual Value Changes	(51)	—	(51)	N/A
Transformation Strategy Costs	(12)	(74)	62	(83.8)%
Adjusted Operating Expenses	\$ 15,279	\$ 14,821	\$ 458	3.1 %
Operating Profit (in millions) and Operating Margin:				
Operating Profit	\$ 4,326	\$ 4,646	\$ (320)	(6.9)%
Adjusted Operating Profit	\$ 4,419	\$ 4,720	\$ (301)	(6.4)%
Operating Margin	22.0 %	23.8 %		
Adjusted Operating Margin	22.4 %	24.2 %		
Currency Translation Benefit / (Cost)—(in millions)*:				
Revenue			\$ (1,060)	
Operating Expenses			792	
Operating Profit			\$ (268)	

* Net of currency hedging; amount represents the change compared to the prior year.

Revenue

The change in revenue was due to the following:

Revenue Change Drivers:	Volume	Rates / Product Mix	Fuel Surcharges	Currency	Total Revenue Change
2022 vs. 2021	(7.2) %	6.5 %	6.9 %	(5.4) %	0.8 %

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Volume

Average daily volume decreased for both domestic and export products. Volume from both large customers and SMBs declined, driven by declines in the retail and technology sectors. Business-to-consumer volume decreased 17.2%, as challenging global economic conditions, including high inflation, high energy costs, COVID-19 lockdowns in China and geopolitical uncertainty, impacted consumer demand. In the first half of the year, volume growth was also impacted by the year-over-year effect of COVID-19 restrictions on consumer e-commerce spending. These global economic conditions also impacted business-to-business volume, which decreased 2.9%. We expect year-over-year volume growth in the first half of 2023 to be negative, with economic conditions and volume growth rates improving in the second half of the year.

Export volume decreased for the year driven by reduced intra-Europe activity, as well as lower volumes on the Asia and U.S. export trade lanes. Intra-Europe declines resulted from overall economic conditions. The decline in Asia export trade lanes was also driven by COVID-19 lockdowns, which resulted in fewer flights being operated throughout the year and reduced business activity within China and Hong Kong. We experienced lower volumes from certain large customers on U.S. export trade lanes, due to the strength of the U.S. Dollar and the economic factors discussed above.

Our premium products saw volume decline 3.0%, primarily from our Express Saver product which was impacted by lower volumes from certain large customers as a result of the economic factors and COVID-19 disruptions discussed above. Volume in our non-premium products decreased 1.4%, driven by declines in our Worldwide products. These declines were the result of an overall reduction in consumer demand for all of the reasons discussed above.

Domestic volume declines were largest in Europe and Canada, where macroeconomic conditions and the year-over-year impact of COVID-19 restrictions on e-commerce spending resulted in lower residential deliveries.

Rates and Product Mix

In December 2021, we implemented an average 5.9% net increase in base and accessorial rates for international shipments originating in the United States. Rate changes for shipments originating outside the U.S. are made throughout the year and vary by geographic market. We continue to apply demand-related surcharges on certain lanes.

Total revenue per piece increased 7.6%, primarily due to fuel surcharges and favorable shifts in customer and product mix as we executed on revenue quality initiatives. Demand-related surcharges contributed slightly to the growth in revenue per piece, although we experienced a decline in these surcharges during the latter part of the year. Unfavorable currency movements partially offset these increases. Excluding the impact of currency, revenue per piece increased 13.5%.

Export revenue per piece increased 5.0% for the reasons described above. Excluding the impact of currency, export revenue per piece increased 9.6%.

Domestic revenue per piece increased 2.1% for the reasons described above. Excluding the impact of currency, domestic revenue per piece increased 13.3%.

We expect overall revenue per piece to be relatively flat in 2023, with a decline in demand-related surcharges relative to 2022.

Fuel Surcharges

The fuel surcharge we apply to international air services originating inside or outside the U.S. is largely indexed to the DOE's Gulf Coast spot price for a gallon of kerosene-type jet fuel. The fuel surcharges for ground services originating outside the U.S. are indexed to fuel prices in the region or country where the shipment originates.

Total international fuel surcharge revenue increased by \$1.2 billion, driven primarily by increases in price per gallon as well as changes in fuel surcharge rates as part of our pricing strategy. These increases were slightly offset by unfavorable currency movements and volume declines. Based on commodity forecasts, we expect declining fuel prices will drive a decrease in fuel surcharge revenue in 2023.

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Operating Expenses

Operating expenses, and adjusted operating expenses, increased year over year. This includes the impact of one additional operating day. The costs of operating our integrated international air and ground network increased \$1.1 billion, primarily due to higher fuel prices. As noted above, we expect fuel prices to decrease in 2023.

Pickup and delivery costs decreased \$333 million, other indirect costs, including compensation and benefits, decreased \$319 million and package sorting costs decreased \$20 million as inflationary pressures were more than offset by favorable currency movements and volume declines. We expect volume declines and inflationary pressures will continue to impact our costs in 2023. We will continue adjusting our network in order to mitigate these impacts.

Operating Profit and Margin

As a result of the factors described above, operating profit decreased \$320 million, with operating margin decreasing 180 basis points to 22.0%. Adjusted operating profit decreased \$301 million and adjusted operating margin decreased 180 basis points to 22.4%.

Substantially all of our operations in Russia and Belarus remain suspended and are being wound down, and our operations in Ukraine remain suspended. None of these actions have had a material impact on us. We continue to monitor the evolving impact of Russia's invasion of Ukraine on the global economy.

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Supply Chain Solutions

	Year Ended December 31,		Change	
	2022	2021	\$	%
Revenue (in millions):				
Forwarding	\$ 8,943	\$ 9,872	\$ (929)	(9.4)%
Logistics	5,351	4,767	584	12.3 %
Freight	—	1,064	(1,064)	(100.0)%
Other	2,137	1,726	411	23.8 %
Total Revenue	\$ 16,431	\$ 17,429	\$ (998)	(5.7)%
Operating Expenses (in millions):				
Operating Expenses	\$ 14,660	\$ 15,701	\$ (1,041)	(6.6)%
Incentive Compensation Program Design Changes	(44)	—	(44)	N/A
Transformation Strategy Costs	(45)	(25)	(20)	80.0 %
Goodwill, Asset Impairment Charges and Divestitures	—	46	(46)	(100.0)%
Adjusted Operating Expenses	\$ 14,571	\$ 15,722	\$ (1,151)	(7.3)%
Operating Profit (in millions) and Operating Margins:				
Operating Profit	\$ 1,771	\$ 1,728	\$ 43	2.5 %
Adjusted Operating Profit	\$ 1,860	\$ 1,707	\$ 153	9.0 %
Operating Margin	10.8 %	9.9 %		
Adjusted Operating Margin	11.3 %	9.8 %		
Currency Translation Benefit / (Cost)—(in millions)*:				
Revenue			\$ (272)	
Operating Expenses			307	
Operating Profit			\$ 35	

* Amount represents the change compared to the prior year.

	Year Ended December 31,		Change	
	2022	2021	\$	%
Adjustments to Operating Expenses (in millions)**:				
Transformation Strategy Costs:				
Forwarding	\$ 18	\$ 8	\$ 10	125.0 %
Logistics	23	5	18	360.0 %
Freight	—	1	(1)	(100.0)%
Other	4	11	(7)	(63.6)%
Total Transformation Strategy Costs	\$ 45	\$ 25	\$ 20	80.0 %
Incentive Compensation Program Design Changes:				
Forwarding	\$ 22	\$ —	\$ 22	N/A
Logistics	22	—	22	N/A
Total Incentive Compensation Program Design Changes	\$ 44	\$ —	\$ 44	N/A
Total Adjustments to Operating Expenses	\$ 89	\$ 25	\$ 64	256.0 %

** Excludes the \$46 million pre-tax gain recognized as part of the divestiture of UPS Freight for the year ended December 31, 2021.

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Revenue

Total revenue within Supply Chain Solutions decreased for the year. Lower volume and revenue in forwarding and the impact of divesting UPS Freight in the second quarter of 2021 more than offset strong revenue growth in logistics and a number of our other businesses.

Forwarding revenue was impacted by the following:

- International airfreight revenue decreased approximately \$480 million, as challenging economic conditions and lockdowns in China drove a decline in customer demand during the year. Lower demand coupled with higher capacity, particularly in the fourth quarter of 2022, resulted in a decline in the market rates we charge for services, including demand-related surcharges that were elevated in the first quarter of the year.
- Revenue in our truckload brokerage business decreased approximately \$300 million, as volume and market rates declined. These declines were partly offset by successful revenue quality initiatives.
- The remaining reduction in revenue was attributable to ocean freight forwarding as a result of a significant decline in market rates in the second half of the year, particularly on the Asia to U.S. lane. Volume also declined during the year, driven by lower customer demand.

As a result of expected market conditions, we anticipate that volume will remain challenged and that market rates within all of our Forwarding businesses during the first half of 2023 will be lower than the first half of 2022. Rates in our airfreight and truckload brokerage businesses are expected to stabilize in the latter half of 2023.

Revenue within our Logistics businesses increased as a result of the following factors:

- Healthcare logistics revenue increased approximately \$360 million, driven by clinical trials and pharmaceuticals. We expect growth to continue in 2023, including revenue from Bomi Group, which we acquired in the fourth quarter.
- Revenue in our mail services business increased approximately \$160 million as a result of volume from new customers, rate increases and a favorable shift in product characteristics.
- The remaining revenue growth was within our other distribution operations. We experienced year-over-year revenue increases, driven by customer expansion, revenue quality initiatives and increased demand for warehousing services.

Revenue from the other businesses within Supply Chain Solutions increased, partly due to the acquisition of Roadie, Inc. in the fourth quarter of 2021. Revenue from transition services provided to the acquirer of UPS Freight increased and revenue from our service contracts with the U.S. Postal Service also increased. We expect our transition services revenue to decline in 2023 as the acquirer of UPS Freight begins to exit these arrangements.

Operating Expenses

Total operating expenses and total adjusted operating expenses for Supply Chain Solutions decreased for the year. This included a decrease of \$952 million due to the divestiture of UPS Freight in 2021.

Forwarding operating expenses decreased \$1.1 billion, driven by a reduction in purchased transportation costs. Elevated market rates in the first half of 2022 were more than offset by declines in the latter part of the year. We expect market volume and rates will remain low through at least mid-2023, which will reduce our purchased transportation costs.

Logistics operating expenses increased \$485 million, including the impact of the Bomi Group acquisition. Compensation and benefits expense increased, driven by business growth and inflationary pressures across our logistics businesses. Purchased transportation costs increased in our healthcare and mail services businesses due to business growth. Mail services expenses were also impacted by transportation rate increases and higher fuel surcharges.

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Expenses for the other businesses within Supply Chain Solutions increased. This was driven by the acquisition of Roadie, Inc. in the fourth quarter of 2021, and higher fuel costs associated with service contracts with the U.S. Postal Service. Costs incurred in procuring transportation for, and providing transition services to, the acquirer of UPS Freight also increased for the year. We expect these costs to decline in 2023 as the acquirer of UPS Freight continues to exit these arrangements.

Operating Profit and Margin

As a result of the factors described above, total operating profit increased \$43 million, with operating margin increasing 90 basis points to 10.8%. On an adjusted basis, operating profit increased \$153 million and operating margin increased 150 basis points to 11.3%.

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Consolidated Operating Expenses

	Year Ended December 31,		Change	
	2022	2021	\$	%
Operating Expenses (in millions):				
Compensation and benefits	\$ 47,781	\$ 46,707	\$ 1,074	2.3 %
Transformation and Other Charges	(46)	(206)	160	(77.7)%
Incentive Compensation Program Design Changes	(505)	—	(505)	N/A
Adjusted Compensation and benefits	47,230	46,501	729	1.6 %
Repairs and maintenance	2,515	2,443	72	2.9 %
Depreciation and amortization	3,188	2,953	235	8.0 %
Purchased transportation	17,653	19,058	(1,405)	(7.4)%
Fuel	6,018	3,847	2,171	56.4 %
Other occupancy	1,818	1,698	120	7.1 %
Other expenses	8,271	7,771	500	6.4 %
Total Other expenses	39,463	37,770	1,693	4.5 %
Transformation and Other Charges	(132)	(174)	42	(24.1)%
Long-Lived Asset Estimated Residual Value Changes	(76)	—	—	N/A
Goodwill, Asset Impairment Charges and Divestitures	—	46	(46)	(100.0)%
Adjusted Total Other expenses	\$ 39,255	\$ 37,642	\$ 1,613	4.3 %
Total Operating Expenses	\$ 87,244	\$ 84,477	\$ 2,767	3.3 %
Adjusted Total Operating Expenses	\$ 86,485	\$ 84,143	\$ 2,342	2.8 %

Currency (Benefit) / Cost - (in millions)*

(1,099)

*Amount represents the change in currency translation compared to the prior year.

	Year Ended December 31,		Change	
	2022	2021	\$	%
Adjustments to Operating Expenses (in millions):				
Transformation Strategy Costs:				
Compensation	\$ 36	\$ 30	\$ 6	20.0 %
Benefits	10	176	(166)	(94.3)%
Other occupancy	—	3	(3)	(100.0)%
Other expenses	132	171	(39)	(22.8)%
Total Transformation Strategy Costs	\$ 178	\$ 380	\$ (202)	(53.2)%
Incentive Compensation Program Design Changes:				
Compensation	505	—	505	N/A
Long-Lived Asset Estimated Residual Value Changes:				
Depreciation and amortization	76	—	76	N/A
Goodwill, Asset Impairment Charges and Divestitures:				
Other expenses	\$ —	\$ (46)	\$ 46	(100.0)%
Total Adjustments to Operating Expenses	\$ 759	\$ 334	\$ 425	127.2 %

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Compensation and Benefits

Total compensation and benefits and adjusted total compensation and benefits increased. Compensation costs increased \$495 million. On an adjusted basis, compensation costs decreased \$16 million. The principal factors impacting the change were:

- U.S. Domestic direct labor costs increased \$422 million due to annual contractual rate increases for our union workforce that occur in August, as well as cost of living adjustments driven by inflation and other market factors. Headcount in our line-haul network operations also increased. These increases were partially offset by a reduction in labor hours, driven by volume declines and productivity improvements.
- International compensation decreased \$245 million, primarily due to volume declines and favorable currency movements.
- Supply Chain Solutions' compensation costs increased \$95 million, driven by business growth and inflationary pressures across our logistics operations.
- Management compensation increased \$466 million, primarily due to the accelerated vesting of certain equity incentive awards in connection with a one-time change to the design of our incentive compensation programs. On an adjusted basis, management compensation increased \$42 million due to salary growth, which was partially offset by reductions in other incentive awards and sales commissions.
- The UPS Freight divestiture in 2021 resulted in a \$328 million decrease in compensation costs.

We expect inflation and other market factors will continue to impact compensation cost in certain parts of our business in 2023.

Benefits costs increased \$579 million and increased \$745 million on an adjusted basis, primarily as a result of:

- Health and welfare costs increased \$195 million, driven by increased contributions to multiemployer plans as a result of contractual rate increases that occur annually in August. The UPS Freight divestiture in 2021 reduced expense by \$75 million.
- Pension and postretirement benefits increased \$215 million due to contractually-mandated contribution increases to multiemployer plans and higher service costs for company-sponsored plans. The UPS Freight divestiture in 2021 reduced expense by \$53 million.
- Vacation, excused absence, payroll taxes and other expenses increased \$248 million, driven by wage growth and additional discretionary payments. The UPS Freight divestiture in 2021 reduced expense by \$54 million.
- Workers' compensation expense increased \$88 million due to an increase in current year claims, partially offset by favorable developments in reserves for existing claims.

Repairs and Maintenance

The increase in repairs and maintenance expense was due to an increase in planned building maintenance as well as increases in the cost of materials and supplies, which we expect to persist in 2023. We also incurred higher costs for aircraft engine and airframe maintenance due to the timing of scheduled maintenance events. We anticipate these costs will remain elevated as scheduled maintenance events commence on newer aircraft within our fleet.

Depreciation and Amortization

Depreciation and amortization expense increased, primarily due to the reduction in the estimated residual value of our fully-depreciated MD-11 aircraft, facility automation and expansion projects, investments in internally developed software and the amortization of acquired intangible assets. Excluding the impact of the estimated residual value change, adjusted depreciation and amortization expense increased due to the aforementioned factors. The reduction in estimated residual value of our MD-11 aircraft will result in additional depreciation expense for the remainder of these aircraft in 2023 and thereafter.

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Purchased Transportation

The decrease in purchased transportation expense charged to us by third-party air, ocean and truck carriers was primarily attributable to:

- Supply Chain Solutions expense decreased \$957 million, resulting from volume declines in our international air and ocean freight and truckload brokerage businesses and declining market rates paid for services in the latter half of the year. These impacts were slightly offset by expense increases in our logistics operations due to business growth and third-party rate increases in our mail services business. The UPS Freight divestiture in 2021 drove a decrease of \$260 million.
- U.S. Domestic expense decreased \$254 million, driven by a reduction in ground volume handled by third-party carriers as a result of network optimization initiatives. This was partially offset by the impacts of higher fuel surcharges and rate increases.
- International expense decreased \$194 million, primarily due to a reduction in air charter expense in the second half of the year and favorable currency movements. These decreases were partially offset by increases in markets rates for ground transportation and fuel surcharges from third-party carriers.

Fuel

The increase in fuel expense was primarily driven by higher prices for jet fuel, diesel and gasoline. Market prices, and the manner in which we purchase fuel, influence our costs. The majority of our fuel purchases utilize index-based pricing formulas plus or minus a fixed locational/supplier differential. While many of the indices are correlated, each index may respond differently to changes in underlying prices, which in turn can drive variability in our costs.

Other Occupancy

The increase in other occupancy expense, and adjusted other occupancy expense, was due to additional facilities coming into service, higher utilities costs and rent and property tax increases. We expect inflation may continue to impact rent and utility costs in 2023.

Other Expenses

Other expenses and adjusted other expenses increased primarily as a result of:

- An increase of \$170 million in commissions paid for certain online shipments.
- Hosted software application fees and other technology costs increased \$115 million in support of ongoing investments in our digital transformation.
- Professional fees increased \$72 million, driven by an increase in support services provided to various business units and information technology consulting to support ongoing strategic initiatives.
- Other increases included the cost of goods provided under transitional service agreements to the acquirer of UPS Freight, allowances for credit losses, facility security expenses and self-insured automobile liability expense, driven by increases in the frequency and severity of claims.

These increases were partially offset by favorable developments in certain legal and tax contingencies and reductions in asset impairment charges and customer claims.

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Other Income and (Expense)

The following table sets forth investment income (expense) and other and interest expense for the years ended December 31, 2022 and 2021 (in millions):

	Year Ended December 31,		Change	
	2022	2021	\$	%
Investment Income (Expense) and Other	\$ 2,435	\$ 4,479	\$ (2,044)	(45.6)%
Defined Benefit Pension and Postretirement Medical Plan (Gains) and Losses	(1,061)	(3,272)	2,211	(67.6)%
Adjusted Investment Income (Expense) and Other	\$ 1,374	\$ 1,207	\$ 167	13.8 %
Interest Expense	(704)	(694)	(10)	1.4 %
Total Other Income and (Expense)	\$ 1,731	\$ 3,785	\$ (2,054)	(54.3)%
Adjusted Other Income and (Expense)	\$ 670	\$ 513	\$ 157	30.6 %

Investment Income (Expense) and Other

Investment and other income decreased \$2.0 billion, primarily due to a reduction in mark-to-market gains recognized on remeasurements of our defined benefit pension and postretirement plans. Excluding the impact of these gains, adjusted investment and other income increased \$167 million, driven by higher yields on higher average invested balances and foreign currency gains. These increases were partially offset by declines in the fair values of certain non-current investments.

Interest Expense

Interest expense increased due to the impact of higher effective interest rates on floating rate debt, partially offset by lower average outstanding debt balances, higher capitalized interest and favorable foreign currency exchange rate impacts on foreign currency-denominated debt.

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Income Tax Expense

The following table sets forth income tax expense and our effective tax rate for the years ended December 31, 2022 and 2021 (in millions):

	Year Ended December 31,		Change	
	2022	2021	\$	%
Income Tax Expense:	\$ 3,277	\$ 3,705	\$ (428)	(11.6)%
Income Tax Impact of:				
Defined Benefit Pension and Postretirement Medical Plan (Gains) and Losses	(255)	(784)	529	(67.5)%
Incentive Compensation Program Design Changes	121	—	121	N/A
Long-Lived Asset Estimated Residual Value Changes	18	—	18	N/A
Transformation Strategy Costs	36	95	(59)	(62.1)%
Goodwill and Asset Impairment Charges, and Divestitures	—	(11)	11	(100.0)%
Adjusted Income Tax Expense	<u>\$ 3,197</u>	<u>\$ 3,005</u>	<u>\$ 192</u>	<u>6.4 %</u>
Effective Tax Rate	<u>22.1 %</u>	<u>22.3 %</u>		
Adjusted Effective Tax Rate	22.0 %	22.0 %		

For additional information on income tax expense and our effective tax rate, see note 15 to the audited, consolidated financial statements.

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Liquidity and Capital Resources

We deploy a disciplined and balanced approach to capital allocation, including returns to shareowners through dividends and share repurchases. As of December 31, 2022, we had \$7.6 billion in cash, cash equivalents and marketable securities. We believe that these positions, expected cash from operations, access to commercial paper programs and capital markets and other available liquidity options will be adequate to fund our material short- and long-term cash requirements, including our business operations, planned capital expenditures and pension contributions, transformation strategy costs, debt obligations and planned shareowner returns. We regularly evaluate opportunities to optimize our capital structure, including through issuances of debt to refinance existing debt and to fund operations.

Cash Flows From Operating Activities

The following is a summary of the significant sources (uses) of cash from operating activities (in millions):

	2022	2021
Net income	\$ 11,548	\$ 12,890
Non-cash operating activities ^(a)	5,261	3,335
Pension and postretirement medical benefit plan contributions (company-sponsored plans)	(2,342)	(576)
Hedge margin receivables and payables	274	272
Income tax receivables and payables	154	170
Changes in working capital and other non-current assets and liabilities	(797)	(1,106)
Other operating activities	6	22
Net cash from operating activities	<u>\$ 14,104</u>	<u>\$ 15,007</u>

(a) Represents depreciation and amortization, gains and losses on derivative transactions and foreign currency exchange, deferred income taxes, allowances for expected credit losses, amortization of operating lease assets, pension and postretirement medical benefit plan (income) expense, stock compensation expense, changes in casualty self-insurance reserves, goodwill and other asset impairment charges and other non-cash items.

Net cash from operating activities decreased \$903 million in 2022, driven by higher contributions to our company-sponsored defined benefit pension and postretirement medical plans. We made discretionary contributions to our qualified U.S. pension plans of \$1.9 billion in 2022 compared to \$0.2 billion in 2021.

Our working capital benefited from an improvement in collections that was partially offset by increases in duty and tax settlements on behalf of our customers due to the timing of payments. Additionally, during 2022, we paid \$234 million of employer payroll taxes that were deferred under the Coronavirus Aid, Recovery and Economic Security ("CARES") Act in 2020, compared to a payment of \$577 million in 2021. We paid the remaining \$323 million of deferred employer payroll taxes in January 2023.

Cash payments for income taxes were \$2.6 billion and \$1.9 billion for the years ended December 31, 2022 and 2021, respectively, with changes driven by the timing of deductions related to pension contributions and depreciation.

As part of our ongoing efforts to improve our working capital efficiency, certain financial institutions offer a Supply Chain Finance ("SCF") program to certain of our suppliers. We agree to commercial terms with our suppliers, including prices, quantities and payment terms, regardless of whether the supplier elects to participate in the SCF program. Suppliers issue invoices to us based on the agreed-upon contractual terms. If they participate in the SCF program, our suppliers, at their sole discretion, determine which invoices, if any, to sell to the financial institutions. Our suppliers' voluntary inclusion of invoices in the SCF program has no bearing on our payment terms. No guarantees are provided by us under the SCF program. We have no economic interest in a supplier's decision to participate, and we have no direct financial relationship with the financial institutions, as it relates to the SCF program.

Amounts due to our suppliers that participate in the SCF program are included in *Accounts payable* in our consolidated balance sheets. We have been informed by the participating financial institutions that as of December 31, 2022 and 2021, suppliers sold them \$806 and \$545 million, respectively, of our outstanding payment obligations. Amounts due to suppliers that participate in the SCF program may be reflected in cash flows from operating activities or cash flows from investing activities in our consolidated statements of cash flows. The amounts settled through the SCF program were approximately \$2.3 and \$1.7 billion for the years ended December 31, 2022 and 2021, respectively.

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As of December 31, 2022, approximately \$2.2 billion of our total worldwide holdings of cash, cash equivalents and marketable securities were held by foreign subsidiaries. The amount of cash, cash equivalents and marketable securities held by our U.S. and foreign subsidiaries fluctuates throughout the year due to a variety of factors, including the timing of cash receipts and disbursements in the normal course of business. Cash provided by operating activities in the U.S. continues to be our primary source of funds to finance domestic operating needs, capital expenditures, share repurchases, pension contributions and dividend payments to shareowners. All cash, cash equivalents and marketable securities held by foreign subsidiaries are generally available for distribution to the U.S. without any U.S. federal income taxes. Any such distributions may be subject to foreign withholding and U.S. state taxes. When amounts earned by foreign subsidiaries are expected to be indefinitely reinvested, no accrual for taxes is provided.

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Cash Flows From Investing Activities

Our primary sources (uses) of cash from investing activities for the years ended December 31, 2022 and 2021 were as follows (in millions):

	2022	2021
Net cash used in investing activities	\$ (7,472)	\$ (3,818)
Capital Expenditures:		
Buildings, facilities and plant equipment	\$ (1,708)	\$ (1,635)
Aircraft and parts	(1,267)	(1,185)
Vehicles	(1,067)	(807)
Information technology	(727)	(567)
Total Capital Expenditures ⁽¹⁾ :	\$ (4,769)	\$ (4,194)
Capital Expenditures as a % of revenue	4.8 %	4.3 %

Other Investing Activities:			
Proceeds from disposals of businesses, property, plant and equipment	\$	12	\$ 872
Net change in finance receivables	\$	24	\$ 34
Net (purchases), sales and maturities of marketable securities	\$	(1,651)	\$ 54
Acquisitions, net of cash acquired	\$	(755)	\$ (602)
Other investing activities	\$	(333)	\$ 18

⁽¹⁾ In addition to capital expenditures of \$4.8 and \$4.2 billion for the years ended December 31, 2022 and 2021, respectively, there were principal repayments of finance lease obligations of \$149 and \$208 million, respectively. These are included in cash flows from financing activities.

We have commitments for the purchase of aircraft, vehicles, equipment and real estate to provide for the replacement of existing capacity and anticipated future growth. Future capital spending for anticipated growth and replacement assets will depend on a variety of factors, including regulatory, economic and industry conditions. Our current investment program anticipates investments in technology initiatives and enhanced network capabilities, including over \$1.0 billion of projects to support our environmental sustainability goals. It also provides for maintenance of buildings, facilities and equipment and replacement of certain aircraft within our fleet. We currently expect our capital expenditures will be approximately \$5.3 billion in 2023, of which approximately 50 percent will be allocated to expansion projects.

Total capital expenditures increased in 2022, primarily due to:

- Spending on buildings, facilities and plant equipment increased, largely due to facility automation and capacity expansion projects in our global small package business. Expenditures in the fourth quarter more than offset the impact of supply chain disruptions that we experienced earlier in the year.
- Aircraft and parts expenditures increased due to higher contract deposits on open aircraft orders, partially offset by fewer payments associated with the delivery of aircraft.
- Vehicles expenditures increased as supply chain constraints eased in the latter half of 2022 relative to 2021.
- Information technology expenditures increased due to additional deployments of technology equipment and continuing investments in our digital capabilities and network automation.

Proceeds from the disposal of businesses, property, plant and equipment decreased, primarily due to the 2021 divestiture of UPS Freight for cash proceeds of \$848 million. Net purchases of marketable securities increased due to a shift to longer duration investments. The net change in finance receivables was primarily due to reductions in outstanding balances within our finance portfolios.

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The increase in cash paid for acquisitions in 2022 was primarily attributable to the acquisitions of Bomi Group and Delivery Solutions, and the purchase of development areas for The UPS Store. Cash paid for acquisitions in 2021 related to the acquisition of Roadie and the purchase of development areas for The UPS Store. The increase in other investing activities was driven by our investment of \$252 million in the parent company of CommerceHub, Inc., as well as changes in our other non-current investments and various other items.

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Cash Flows From Financing Activities

Our primary sources (uses) of cash for financing activities were as follows (amounts in millions, except per share data):

	2022	2021
Net cash used in financing activities	\$ (11,185)	\$ (6,823)
Share Repurchases:		
Cash paid to repurchase shares	\$ (3,500)	\$ (500)
Number of shares repurchased	(19.0)	(2.6)
Shares outstanding at period end	859	870
Dividends:		
Dividends declared per share	\$ 6.08	\$ 4.08
Cash paid for dividends	\$ (5,114)	\$ (3,437)
Borrowings:		
Net borrowings (repayments) of debt principal	\$ (2,304)	\$ (2,773)
Other Financing Activities:		
Cash received for common stock issuances	\$ 262	\$ 251
Other financing activities	\$ (529)	\$ (364)
Capitalization:		
Total debt outstanding at year end	\$ 19,662	\$ 21,915
Total shareowners' equity at year end	19,803	14,269
Total capitalization	\$ 39,465	\$ 36,184

We repurchased 19.0 and 2.6 million shares of class B common stock for \$3.5 billion and \$500 million under our stock repurchase program for the years ended December 31, 2022 and 2021, respectively. We anticipate our share repurchases will total \$3.0 billion for 2023. For additional information on our share repurchase activities, see note 12 to the audited, consolidated financial statements.

For the years ended December 31, 2022 and 2021, dividends reported within shareowners' equity include \$249 and \$167 million, respectively, of non-cash dividends that were settled in shares of class A common stock.

The declaration of dividends is subject to the discretion of the Board and depends on various factors, including our net income, financial condition, cash requirements, future prospects and other relevant factors. In the first quarter of 2023, we increased our quarterly dividend from \$1.52 to \$1.62 per share.

There were no issuances of debt in 2022. Issuances of debt in 2021 consisted of short-term borrowings under our commercial paper program.

Repayments of debt in 2022 included scheduled principal payments on our finance lease obligations, payment of amounts assumed in the Bomi Group acquisition and repayment at maturity of senior notes as follows:

- \$1.0 billion 2.450% senior notes;
- \$600 million 2.350% senior notes; and
- \$400 million floating rate senior notes.

Repayments of debt in 2021 included scheduled principal payments on our finance lease obligations, payments of commercial paper balances and repayment at maturity of senior notes as follows:

- \$1.5 billion 3.125% senior notes;
- \$700 million 2.050% senior notes; and
- \$350 million floating rate senior notes.

As of December 31, 2022 and 2021, we had no outstanding balances under our commercial paper programs.

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We have \$2.2 billion of fixed- and floating-rate senior notes that mature in 2023. We may repay these amounts when due with cash generated from operations or other borrowings, depending on various factors. We consider the overall fixed and floating interest rate mix of our portfolio and the related overall cost of borrowing when planning for future issuances and non-scheduled repayments of debt.

The variation in cash received from common stock issuances resulted from activity within the UPS 401(k) Savings Plan and our employee stock purchase plan in both the current and comparative period.

Other financing activities includes cash used to repurchase shares to satisfy tax withholding obligations on vested employee stock awards. Cash outflows for this purpose were \$516 and \$358 million for the years ended December 31, 2022 and 2021, respectively. The increase was driven by changes in required repurchase amounts.

Except as disclosed in note 9 to the audited, consolidated financial statements, we do not have guarantees or other off-balance sheet financing arrangements, including variable interest entities, which we believe could have a material impact on our financial condition or liquidity.

Sources of Credit

See note 9 to the audited, consolidated financial statements for a discussion of our available credit and our debt covenants.

Contractual Commitments

We have material cash requirements for known contractual obligations and commitments in the form of finance leases, operating leases, debt obligations, purchase commitments and certain other liabilities that are disclosed in the notes to the audited, consolidated financial statements and discussed below. We expect to fund these obligations and other discretionary payments, including expected returns to shareowners, primarily through cash from operations.

We anticipate making discretionary contributions to our company-sponsored U.S. defined benefit pension and postretirement medical plans of approximately \$1.2 billion in 2023, which are included within *Expected employer contributions to plan trusts* shown in note 5 to the audited, consolidated financial statements. There are currently no anticipated required minimum cash contributions to our qualified U.S. pension plans. The amount of any minimum funding requirement, as applicable, for these plans could change significantly in future periods depending on many factors, including plan asset returns, discount rates, other actuarial assumptions, changes to pension plan funding regulations and the discretionary contributions that we make. Actual contributions made in future years could materially differ and consequently required minimum contributions beyond 2023 cannot be reasonably estimated. As a result of the amendments to the UPS 401(k) Savings Plan discussed in note 5 to the audited, consolidated financial statements, we expect contributions to this plan will increase by approximately \$450 million beginning in 2024.

As discussed in note 6 to the audited, consolidated financial statements, we are not currently subject to any surcharges or minimum contributions outside of our agreed-upon contractual rates with respect to the multiemployer pension and health and welfare plans in which we participate. Contribution rates to these multiemployer pension and health and welfare plans are established through the collective bargaining process.

We have outstanding letters of credit and surety bonds that are discussed in note 9 to the audited, consolidated financial statements. Additionally, we have \$2.2 billion of fixed- and floating-rate senior notes that mature in 2023. We may repay these amounts when due with cash generated from operations or other borrowings, depending on various factors. Estimated future interest payments on our outstanding debt total approximately \$11.3 billion. This amount was calculated using the contractual interest payments due on our fixed- and variable-rate debt based on interest rates as of December 31, 2022, taking into account the effect of any interest rate swap agreements. For debt denominated in a foreign currency, the U.S. Dollar equivalent principal amount of the debt at the end of the year was used as the basis to project future interest payments.

Annual principal payments on our long-term debt, and purchase commitments for certain capital expenditures are also set out in note 9 to the audited, consolidated financial statements. Included within these purchase commitments are firm commitments to purchase seven new and used Boeing 767-300 aircraft to be delivered in 2023, 21 new Boeing 767-300 aircraft to be delivered between 2024 and 2026, and two used Boeing 747-8F aircraft to be delivered in 2024. Additionally, we anticipate purchasing over 2,400 alternative fuel vehicles in 2023.

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In addition to purchase commitments, we have other contractual agreements including equipment rentals, software licensing and commodity contracts.

Our finance lease obligations, including purchase options that are reasonably certain to be exercised, relate primarily to leases on aircraft and real estate. These obligations, together with our obligations under operating leases are set out in note 11 to the audited, consolidated financial statements.

Under provisions of the Tax Cuts and Jobs Act, we elected to pay a one-time transition tax on certain unrepatriated earnings of foreign subsidiaries over eight years through 2025. Additionally, we have uncertain tax positions that are further discussed in note 15 to the audited, consolidated financial statements.

Contingencies

See note 5 to the audited, consolidated financial statements for a discussion of pension-related matters, note 10 to the audited, consolidated financial statements for a discussion of judicial proceedings and other matters arising from the conduct of our business activities and note 15 to the audited, consolidated financial statements for a discussion of income-tax-related matters.

Collective Bargaining Agreements

Status of Collective Bargaining Agreements

See note 6 to the audited, consolidated financial statements for a discussion of the status of collective bargaining agreements and "Risk Factors - Business and Operating Risks - Strikes, work stoppages or slowdowns by our employees could materially adversely affect us" in Part I, Item 1A of this report.

Multiemployer Benefit Plans

We contribute to a number of multiemployer pension and health and welfare plans under the terms of collective bargaining agreements that cover our union-represented employees. These agreements set forth the annual contribution rate increases for the plans that we participate in.

New Accounting Pronouncements

Recently Adopted Accounting Standards

See note 1 to the audited, consolidated financial statements for a discussion of recently adopted accounting standards.

Accounting Standards Issued But Not Yet Effective

See note 1 to the audited, consolidated financial statements for a discussion of accounting standards issued, but not yet effective.

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Critical Accounting Estimates

The amounts of assets, liabilities, revenue and expenses reported in our financial statements are affected by estimates and judgments that are necessary to comply with GAAP. We base our estimates on prior experience, current trends, various other assumptions and third-party input that we consider reasonable to our circumstances. Actual results could differ materially from our estimates, which would affect the related amounts reported in our consolidated financial statements. While estimates and judgments are applied in arriving at many reported amounts, we believe that the following critical accounting estimates involve a higher degree of judgment and complexity.

Contingencies

From time to time, we are involved in various legal proceedings and have exposure to various other contingent obligations. The events that may impact our contingent liabilities are often unique and generally are not predictable. At the time a contingency is identified, we consider all relevant facts as part of our evaluation. We apply judgment when establishing a range of reasonably possible losses for our contingencies. Our judgment is influenced by our understanding of information currently available for legal actions and potential outcomes of these actions, including the advice from our internal counsel, external counsel and senior management.

We record a liability for a loss when the loss is probable of occurring and reasonably estimable. For such accruals, we record the amount we consider to be the best estimate within a range of potential losses; however, when there appears to be a range of equally possible losses, our accrual is based on the low end of this range. The likelihood of a loss with respect to a particular contingency is often difficult to predict and determining a reasonable estimate of the loss or a range of loss may not be practicable based on the information available. Additionally, events may arise that were not anticipated and, as a result, the outcome of a contingency may result in a loss that differs materially from our previously estimated liability. Except as disclosed in note 10 to the audited, consolidated financial statements, contingent losses that were probable and estimable were not material to our financial position or results of operations as of, or for the year ended, December 31, 2022. In addition, we have certain contingent liabilities that have not been recognized as of, or for the year ended, December 31, 2022, because a loss was not reasonably estimable. Obligations relating to income taxes and self-insurance are discussed below.

Goodwill and Intangible Asset Impairments

We assess goodwill for impairment at the reporting unit level. We did not incur goodwill impairment charges in 2022 or 2021. During 2020, we recognized a goodwill impairment charge of \$494 million in our former UPS Freight reporting unit.

The determination of reporting units requires judgment, and if we changed the definition of our reporting units, it is possible that we would have reached different conclusions when performing our impairment tests. Goodwill impairment charges could have a material impact on our results of operations.

We initially evaluate qualitative factors to determine if it is more likely than not that the fair value of a reporting unit is less than its carrying amount. If the qualitative assessment is not conclusive, we quantitatively assess the fair value of a reporting unit to test goodwill for impairment. This assessment uses a combination of income and market approaches:

- The income approach uses a discounted cash flow (“DCF”) model, which requires us to make a number of significant assumptions to produce an estimate of future cash flows. These assumptions include projections of future revenue, costs, capital expenditures, working capital and the cost of capital. We are also required to make assumptions relating to our overall business and operating strategy, and the regulatory and market environment. Changes in any of these assumptions could significantly impact the fair value of any one of our reporting units. The projections that we use in our DCF model are updated annually, or more often if necessary, and will change over time based on the historical performance and changing business conditions for each of our reporting units.
- The market approach uses observable market data of comparable public companies to estimate fair value utilizing financial metrics (such as enterprise value to net sales). We apply judgment to select appropriate comparison companies based on the business operations, size and operating results of our reporting units. Changes to our selection of comparable companies or market multiples may result in changes to the estimates of fair value of our reporting units.

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As of our July 1st testing date, we concluded the fair value of each reporting unit exceeded its carrying value; however, the excess of fair value over the carrying value for our Roadie reporting unit was less than 10 percent. In addition to business performance, our valuation estimate is most sensitive to changes in the cost of capital. If the cost of capital used in our July 1st test increased by 150 basis points, it is reasonably possible that the reporting unit would be impaired. We believe the fair value of the Roadie reporting unit continues to exceed its carrying value; however, if the cost of capital increases or the business does not meet forecasts, we may incur an impairment charge in the future. The goodwill associated with our Roadie reporting unit as of December 31, 2022 was \$241 million.

We evaluate the indefinite-lived trade name associated with our truckload brokerage business for impairment using the relief from royalty method. This valuation approach requires that we make a number of assumptions to estimate fair value, including projections of future revenues, market royalty rates, tax rates, discount rates and other relevant variables. The projections we use in the model are updated annually and will change over time based on historical performance and changing business conditions. If the carrying value of the trade name exceeded its estimated fair value, an impairment charge would be recognized for the excess amount.

In addition to business performance, our valuation estimate is most sensitive to changes in royalty rates and the cost of capital. The ratio of excess fair value to carrying value would decrease by approximately one percentage point if the royalty rate decreased by five basis points or the cost of capital increased by ten basis points. A ten percent decrease in the estimated fair value of our trade name would have had no effect on its carrying value as of our July 1st measurement date. However, if near-term economic conditions change our assumptions unfavorably, or result in the reporting unit being unable to meet forecasts, there could be a more significant decrease in the estimated fair value of the trade name, which may result in an impairment. The carrying value of the trade name as of December 31, 2022 was \$200 million.

Our finite-lived intangible assets are amortized over their estimated useful lives. Impairment tests for these assets are only performed when a triggering event occurs that indicates that the carrying value of the intangible may not be recoverable based on its undiscounted future cash flows. If the carrying amount of the intangible is determined not to be recoverable, a write-down to fair value is recorded. Fair values are determined based on quoted market prices, discounted cash flows or external appraisals, as appropriate. If impairment indicators are present, the resulting impairment charges could have a material impact on our results of operations. See note 7 to the audited, consolidated financial statements for details of finite-lived intangible asset impairments.

Self-Insurance Accruals

We base self-insurance reserves on actuarial estimates, which are determined with the assistance of a third-party actuary through a complex process that includes the application of various actuarial methods and assumptions. The process incorporates actual loss experience and judgments about expected future development based on historical experience, recent and projected trends in claim frequency and severity, and changes in claims handling practices, among other factors.

Workers' compensation, automobile liability and general liability insurance claims may take a number of years to resolve. Consequently, actuarial estimates are required to project the ultimate cost that will be incurred to resolve a claim. Several factors can affect the actual cost, or severity, of a claim, including:

- Length of time a claim remains open;
- Trends in healthcare costs;
- Results of any related litigation; and
- Changes in legislation.

Furthermore, claims may emerge in a future year for events that occurred in a prior policy period at a rate that differs from actuarial projections. All these factors can result in revisions to actuarial projections and produce a material difference between estimated and actual operating results.

Due to the complexity and inherent uncertainty associated with the estimation of our workers' compensation, automobile and general liability claims, the third-party actuary develops a range of expected losses. We believe our estimated reserves for such claims are adequate; however, actual experience in claims frequency and/or severity of claims could materially differ from our estimates and affect our results of operations.

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We also sponsor several health and welfare insurance plans for our employees. Liabilities and expenses related to these plans are based on estimates of the number of employees and eligible dependents covered under the plans, global health events, anticipated utilization by participants and overall trends in medical costs and inflation. We believe our estimates are reasonable and appropriate. Actual experience may differ materially from these estimates and, therefore, produce a material difference between estimated and actual operating results.

Self-insurance reserves as of December 31, 2022 and 2021 were as follows (in millions):

	2022	2021
Current self-insurance reserves	\$ 1,069	\$ 1,048
Non-current self-insurance reserves ⁽¹⁾	1,818	1,855
Total self-insurance reserves	\$ 2,887	\$ 2,903

⁽¹⁾ Included within *Other Non-Current Liabilities* in the consolidated balance sheets.

Our total reserves related to prior year claims decreased by \$5 million in 2022 and increased by \$34 million in 2021. A five percent deterioration or improvement in both the assumed claim severity and claim frequency rates used to estimate our self-insurance reserves would result in an increase or decrease of approximately \$290 million, respectively, in our reserves and expenses as of, and for the year ended, December 31, 2022.

Pension and Other Postretirement Medical Benefits

Our pension and postretirement medical benefit costs are calculated using various actuarial assumptions and methodologies. These assumptions include discount rates, healthcare cost trend rates, inflation, compensation increases, expected returns on plan assets, mortality rates, regulatory requirements and other factors. The assumptions utilized in recording the obligations under our plans represent our best estimates. We believe that they are reasonable, based on information as to historical experience and performance as well as other factors that might cause future expectations to differ from past trends.

Differences in actual experience or changes in assumptions may affect our pension and postretirement medical benefit obligations and future expenses. The primary factors contributing to actuarial gains and losses each year are:

- Changes in the discount rate used to value pension and postretirement medical benefit obligations as of the measurement date;
- Differences between expected and actual returns on plan assets;
- Changes in demographic assumptions, including mortality;
- Differences in participant experience from demographic assumptions; and
- Changes in coordinating benefits with plans not sponsored by UPS.

We recognize changes in the fair value of plan assets and net actuarial gains or losses in excess of a corridor (defined as 10% of the greater of the fair value of plan assets or the plans' projected benefit obligations) immediately within income upon remeasurement of a plan. Other components of pension expense (referred to as "ongoing net periodic benefit cost"), primarily service and interest costs and the expected return on plan assets, are reported on a quarterly basis.

The following sensitivity analysis shows the impact of a 25 basis point change in the assumed discount rate and return on assets for our pension and postretirement benefit plans, and the resulting increase (decrease) in our obligations and expense as of, and for the year ended, December 31, 2022 (in millions):

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Pension Plans	25 Basis Point Increase	25 Basis Point Decrease
<i>Discount Rate:</i>		
Effect on ongoing net periodic benefit cost	\$ (38)	\$ 39
Effect on net periodic benefit cost for amounts recognized outside the 10% corridor	(582)	521
Effect on projected benefit obligation	(1,378)	1,471
<i>Return on Assets:</i>		
Effect on ongoing net periodic benefit cost ⁽¹⁾	(144)	144
Effect on net periodic benefit cost for amounts recognized outside the 10% corridor ⁽²⁾	\$ (34)	\$ 34
Postretirement Medical Benefit Plans		
<i>Discount Rate:</i>		
Effect on ongoing net periodic benefit cost	\$ 4	\$ (3)
Effect on net periodic benefit cost for amounts recognized outside the 10% corridor	(38)	22
Effect on accumulated postretirement benefit obligation	(34)	40
<i>Healthcare Cost Trend Rate:</i>		
Effect on ongoing net periodic benefit cost	—	—
Effect on net periodic benefit cost for amounts recognized outside the 10% corridor	3	(12)
Effect on accumulated postretirement benefit obligation	\$ 10	\$ (11)

⁽¹⁾ Amount calculated based on 25 basis point increase / decrease in the expected return on assets.

⁽²⁾ Amount calculated based on 25 basis point increase / decrease in the actual return on assets.

Refer to note 5 to the audited, consolidated financial statements for information on our potential liability for coordinating benefits related to the Central States Pension Fund.

Depreciation, Residual Value and Impairment of Property, Plant and Equipment

As of December 31, 2022, we had \$34.7 billion of net property, plant and equipment, the most significant category of which was aircraft. In accounting for property, plant and equipment, we make estimates of the expected useful lives and residual values. We evaluate the useful lives of our property, plant and equipment based on our usage, maintenance and replacement policies, and taking into account physical and economic factors that may affect the useful lives of the assets. Our accounting policy for property, plant and equipment is set out in note 1 to the audited, consolidated financial statements.

We monitor our long-lived assets for indicators of impairment which may include, but are not limited to, a significant change in the extent to which an asset is utilized and operating or cash flow losses associated with the use of the asset. If circumstances are present that indicate the carrying value of our long-lived assets may not be recoverable, we then perform impairment testing at the asset group level.

Asset groups represent the lowest level at which independent cash flows can be identified. Determining the asset group requires judgment and changes in the way asset groups are defined could have material impact to the results of impairment testing. We perform recoverability testing by comparing the undiscounted cash flows of the asset group to the carrying value of the asset group. If the carrying amount of the asset is determined not to be recoverable, a write-down to fair value is recorded. Fair values are determined based on quoted market values, discounted cash flows or external appraisals, as appropriate. Details of long-lived asset impairments are included in note 4 to the audited, consolidated financial statements.

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In estimating the useful lives and expected residual values of aircraft, we consider actual experience with the same or similar aircraft types and volume projections for our air products. Adverse changes in volume forecasts, or a shortfall in our actual volume compared with our projections, could result in our current aircraft capacity exceeding current or projected demand. This situation could lead to an excess of aircraft, resulting in an impairment charge or reduction in expected useful life that may result in increased depreciation expense.

Revisions to estimates of useful lives and residual values could also be caused by changes to our maintenance programs, governmental regulations, operational intentions, or market prices for new and used aircraft of the same or similar types. We periodically evaluate our estimates and assumptions, and adjust them, as necessary, on a prospective basis through depreciation expense. In the fourth quarter of 2022, we reduced the estimated residual value of our MD-11 aircraft and associated engines to zero based on updated operational plans for these aircraft and our expectations for their eventual disposal. In connection with this change in estimate, during the fourth quarter of 2022 we recorded a one-time depreciation charge to adjust the residual value of our fully-depreciated MD-11 aircraft. Refer to note 4 to the audited, consolidated financial statements for information on the impact to our results of operations.

Fair Value Measurements

In the normal course of business, we hold and issue financial instruments that contain elements of market risk, including derivatives, marketable securities and debt. Certain of these financial instruments are required to be recorded at fair value, principally derivatives, marketable securities and certain other investments. These financial instruments are measured and reported at fair value on a recurring basis based upon a fair value hierarchy (Levels 1, 2 and 3). Fair values are based on listed market prices (Level 1), when such prices are available. To the extent that listed market prices are not available, fair value is determined based on other relevant factors, including dealer price quotations (Level 2). If listed market prices or other relevant factors are not available, inputs are developed from unobservable data reflecting our own assumptions and include situations where there is little or no market activity for the asset or liability (Level 3). Certain financial instruments, including over-the-counter derivative instruments, are valued using pricing models that consider, among other factors, contractual and market prices, correlations, time value, credit spreads and yield curve volatility factors. Changes in the fixed income, foreign currency exchange and commodity markets will impact our estimates of fair value in the future, potentially affecting our results of operations. Further information on our accounting policies relating to fair value measurements can be found in note 1 to the audited, consolidated financial statements.

As of December 31, 2022, the majority of our financial instruments were categorized as either Level 1 or Level 2. Refer to notes 3, 9 and 17 to the audited, consolidated financial statements for further information on these instruments. A quantitative sensitivity analysis of our exposure to changes in commodity prices, foreign currency exchange rates and interest rates is presented in the *Quantitative and Qualitative Disclosures about Market Risk* section of this report.

Our pension and postretirement plan assets include investments in hedge funds, as well as private debt, private equity and real estate funds, which are primarily measured using net asset value ("NAV") as a practical expedient for fair value, as appropriate. These investments were valued at \$9.6 billion as of December 31, 2022. In order to estimate NAV, we evaluate audited and unaudited financial reports from fund managers and make adjustments for investment activity between the date of the financial reports and December 31st. These investments are not actively traded, and their values can only be estimated using these assumptions. If our estimates of activity changed, this could have a material impact on the reported value of these investments and on the return on assets that we report. Refer to note 5 to the audited, consolidated financial statements for further information on our pension and postretirement plan assets.

Certain non-financial assets and liabilities are measured at fair value on a nonrecurring basis, including property, plant and equipment, goodwill and intangible assets. These assets are subject to fair value adjustments in certain circumstances, such as when there is evidence of an impairment or when an asset or disposal group is classified as held for sale.

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In accounting for business acquisitions, we allocate the fair value of purchase consideration to the assets acquired and liabilities assumed based on their estimated fair values. Estimating the fair value of assets acquired and liabilities assumed requires judgment, especially with respect to identified intangible assets as there may be limited or no observable transactions within the market, requiring us to develop internal models to estimate fair value. For example, estimating the fair value of identified intangible assets may require us to develop valuation assumptions, including but not limited to, future expected cash flows from these assets, synergies and the cost of capital. Certain inputs require us to determine assumptions that are reflective of a market participant view of fair value. Changes in any of these assumptions may materially impact the amount we recognize for identifiable assets and liabilities, in addition to the residual amount allocated to goodwill.

Income Taxes

We make certain estimates and judgments in determining income tax expense for financial statement purposes. These estimates and judgments occur in the calculation of income by legal entity and jurisdiction, tax credits, benefits and deductions, and in the calculation of deferred tax assets and liabilities, which arise from differences in the timing of recognition of revenue and expense for tax and financial statement purposes, as well as tax, interest and penalties related to uncertain tax positions. Significant changes to these estimates may result in an increase or decrease to our tax provision in a subsequent period.

We assess the likelihood that we will be able to recover our deferred tax assets. If recovery is not likely, we must increase our provision for taxes by recording a valuation allowance against the deferred tax assets that we estimate will not ultimately be recoverable. We believe that we will ultimately recover a substantial majority of the deferred tax assets recorded on our consolidated balance sheets. However, should there be a change in our ability to recover our deferred tax assets, our tax provision would increase in the period in which we determined that the recovery was not likely.

The calculation of our tax liabilities involves dealing with uncertainties in the application of complex tax regulations. We recognize liabilities for uncertain tax positions based on a two-step process. The first step is to evaluate the tax position for recognition by determining if the weight of available evidence indicates that it is more likely than not that the position will be sustained on audit, including resolution of related appeals or litigation processes, if any. Once it is determined that the position meets the recognition threshold, the second step requires us to estimate and measure the largest amount of tax benefit that is more likely than not to be realized upon ultimate settlement. The difference between the amount of recognizable tax benefit and the total amount of tax benefit from positions filed or to be filed with the tax authorities is recorded as a liability for uncertain tax benefits. It is inherently difficult and subjective to estimate such amounts, as we have to determine the probability of various possible outcomes. We reevaluate uncertain tax positions on a quarterly basis. This evaluation is based on factors including, but not limited to, changes in facts or circumstances, changes in tax law, effectively settled issues under audit and new audit activity. Such a change in recognition or measurement could result in the recognition of a tax benefit or an additional charge to the tax provision.

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Item 7A. *Quantitative and Qualitative Disclosures about Market Risk*

We are exposed to market risk from changes in certain commodity prices, foreign currency exchange rates, interest rates and equity prices. All of these market risks arise in the normal course of business, as we do not engage in speculative trading activities. In order to manage the risk arising from these exposures, we may utilize a variety of commodity, foreign currency exchange rate and interest rate forward contracts, options and swaps. A discussion of our accounting policy for derivative instruments is provided in note 1 to the audited, consolidated financial statements.

Commodity Price Risk

We are exposed to changes in the prices of refined fuels, principally jet-A, diesel and unleaded gasoline, as well as changes in the price of natural gas and other alternative fuels. Currently, the fuel surcharges that we apply to our domestic and international package services are the primary means of reducing the risk of adverse fuel price changes. In order to mitigate the impact of fuel surcharges imposed on us by outside carriers, we regularly adjust the rates we charge for our freight brokerage services. The majority of our fuel purchases utilize index-based pricing formulas plus or minus a fixed locational/supplier differential. While many of the indices are correlated, each index may respond differently to changes in underlying prices, which in turn can drive variability in our costs. Because of this, our operating results may be affected should the market price of fuel suddenly change by a significant amount or change by amounts that do not result in an adjustment in our fuel surcharges, which can significantly affect our results either positively or negatively in the short-term. As of December 31, 2022 and 2021, we had no commodity contracts outstanding.

Foreign Currency Exchange Rate Risk

We have foreign currency risks related to our revenue, operating expenses and financing transactions in currencies other than the local currencies in which we operate. We are exposed to currency risk from the potential changes in functional currency values of our foreign currency-denominated assets, liabilities and cash flows. Our most significant foreign currency exposures relate to the Euro, British Pound Sterling, Canadian Dollar, Chinese Renminbi and Hong Kong Dollar. We may use forward contracts as well as a combination of purchased and written options to hedge forecasted cash flow currency exposures. These derivative instruments generally cover forecasted foreign currency exposures for periods of 12 to 48 months. We may also utilize forward contracts to hedge portions of our anticipated cash settlements of intercompany transactions and interest payments on certain debt subject to foreign currency remeasurement.

Interest Rate Risk

We have issued debt instruments and have debt associated with finance leases that accrue expense at fixed and floating rates of interest. We use interest rate swaps as part of our program to manage the fixed and floating interest rate mix of our total debt portfolio and related overall cost of borrowing. The notional amount, interest payment and maturity dates of the swaps match the terms of the associated debt. We may also utilize forward starting swaps and similar instruments to lock in all or a portion of the borrowing cost of anticipated debt issuances. Our floating-rate debt and interest rate swaps subject us to risk resulting from changes in short-term interest rates.

We are also subject to interest rate risk with respect to our defined benefit pension and postretirement medical plan obligations, as changes in interest rates will effectively increase or decrease the obligations associated with these plans. This will result in changes to the amount of pension and postretirement benefit expense recognized in future periods and may also result in us being required to make contributions to the plans.

We hold investments in debt securities, as well as cash-equivalent instruments, some of which accrue income at variable rates of interest.

Sensitivity Analysis

The following analysis provides quantitative information regarding our exposure to foreign currency exchange rate risk, interest rate risk and equity price risk embedded in our existing financial instruments. We utilize valuation models to evaluate the sensitivity of the fair value of financial instruments with exposure to market risk that assume instantaneous, parallel shifts in exchange rates, interest rate yield curves and commodity and equity prices. For options and instruments with non-linear returns, models appropriate to the instrument are utilized to determine the impact of market shifts.

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MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND
RESULTS OF OPERATIONS

There are certain limitations inherent in the sensitivity analyses presented, primarily due to the assumption that foreign currency exchange rates change in a parallel fashion and that interest rates change instantaneously. In addition, the analyses are unable to reflect the complex market reactions that normally would arise from the market shifts modeled. While this is our best estimate of the impact of the specified scenarios, these estimates should not be viewed as forecasts. We adjust the fixed and floating interest rate mix of our interest-rate-sensitive assets and liabilities in response to changes in market conditions. Additionally, changes in the fair value of foreign currency derivatives and commodity derivatives are offset by changes in the cash flows of the underlying hedged foreign currency and commodity transactions.

(in millions)	Shock-Test Result as of December 31,	
	2022	2021
Change in Fair Value:		
Currency Derivatives ⁽¹⁾	\$ (770)	\$ (766)
Change in Annual Interest Expense:		
Variable Rate Debt ⁽²⁾	\$ 18	\$ 22
Interest Rate Derivatives ⁽²⁾	\$ —	\$ 10
Change in Annual Interest Income:		
Marketable Securities ⁽³⁾	\$ 1	\$ —

⁽¹⁾ The potential change in fair value from a hypothetical 10% weakening of the U.S. Dollar against foreign currency exchange rates across all maturities.

⁽²⁾ The potential change in annual interest expense resulting from a hypothetical 100 basis point increase in short-term interest rates, applied to our variable rate debt and swap instruments (excluding hedges of anticipated debt issuances).

⁽³⁾ The potential change in interest income resulting from a hypothetical 100 basis point increase in short-term interest rates, applied to our variable rate investment holdings.

The sensitivity of our defined benefit pension and postretirement plan obligations to changes in interest rates is quantified in "Critical Accounting Estimates".

Item 8. Financial Statements and Supplementary Data

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Report of Independent Registered Public Accounting Firm

To the Shareowners and Board of Directors of
United Parcel Service, Inc.
Atlanta, Georgia

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of United Parcel Service, Inc. and subsidiaries (the "Company") as of December 31, 2022 and 2021, the related consolidated statements of income, comprehensive income, and cash flows, for each of the three years in the period ended December 31, 2022, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2022 and 2021, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2022, in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) ("PCAOB"), the Company's internal control over financial reporting as of December 31, 2022, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 20, 2023, expressed an unqualified opinion on the Company's internal control over financial reporting.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current-period audit of the financial statements that were communicated or required to be communicated to the audit committee and that (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

Valuation of U.S. hedge fund, risk parity, private debt, private equity and real estate investments — Refer to Note 5, Company-Sponsored Employee Benefit Plans (Fair Value Measurements), to the financial statements

Critical Audit Matter Description

The Company's U.S. pension and postretirement medical benefit plans (the "U.S. Plans") held hedge fund, risk parity, private debt, private equity and real estate investments valued at \$9.6 billion as of December 31, 2022.

The Company determines the reported values of the U.S. Plans' investments in hedge, risk parity, private debt, private equity and real estate funds primarily based on the estimated net asset value ("NAV") of the fund. In order to estimate NAV, the Company evaluates audited and unaudited financial reports from fund managers, and makes adjustments, as appropriate, for investment activity between the date of the financial reports and December 31st. These investments are not actively traded, and their values can only be estimated using these subjective assumptions.

Auditing the estimated NAV of these hedge fund, risk parity, private debt, private equity and real estate investments requires a high degree of auditor judgment and subjectivity to evaluate the completeness, reliability and relevance of the inputs used by management.

How the Critical Audit Matter Was Addressed in the Audit

Our audit procedures related to the inputs used by management to estimate the NAV of the U.S. Plans' hedge fund, risk parity, private debt, private equity and real estate investments included the following, among others:

- We tested the effectiveness of controls, including those related to the reliability of values reported by fund managers, the relevance of asset class benchmark returns, and the completeness and accuracy of unobservable inputs related to the underlying assets of the funds.
- For certain investments, we confirmed directly with the respective fund manager its preliminary estimate of the fund's NAV as of December 31, 2022.
- For certain investments, we inquired of management to understand year-over-year changes in the fund manager's estimate of NAV and compared the fund's return on investment to other available qualitative and quantitative information relevant to the fund.
- We evaluated the Company's historical ability to accurately estimate NAV for these funds by comparing each fund's recorded valuation as of its prior fiscal year end to the NAV per the audited fund financial statements (which are received in arrears of the Company's reporting timetable).

Revenue — Refer to Note 2, Revenue Recognition, to the financial statements

Critical Audit Matter Description

Approximately 84 percent of the Company's revenues are from its global small package operations that provide time-definite delivery services for express letters, documents, small packages and palletized freight via air and ground services. The Company's global small package revenues are comprised of a significant volume of low-dollar transactions sourced from systems that were primarily developed by the Company. The processing of transactions, including the recording of them, is highly automated and based on contractual terms with the Company's customers.

Auditing global small package revenue required a significant extent of effort and the involvement of professionals with expertise in information technology ("IT") necessary for us to identify, test, and evaluate the Company's systems, software applications, and automated controls.

How the Critical Audit Matter Was Addressed in the Audit

Our audit procedures related to the Company's systems to process global small package revenue transactions included the following, among others:

- With the assistance of our IT specialists, we:
 - Identified the significant systems used to process global small package revenue transactions and tested the effectiveness of the general IT controls over each of these systems, including testing of user access controls, change management controls, and IT operations controls.
 - Tested the effectiveness of system interface controls and automated controls within the global small package revenue stream, as well as the controls designed to ensure the accuracy and completeness of revenue.
- We tested the effectiveness of controls over the relevant global small package revenue business processes, including those in place to reconcile the various systems to the Company's general ledger.
- We performed analytical procedures to evaluate the Company's recorded revenue and evaluate trends.
- For a sample of customers, we read the Company's contract with the customer and evaluated the Company's pattern of revenue recognition for the customer. In addition, we evaluated the accuracy of the Company's recorded global small package revenue for a sample of customer invoices.

/s/ Deloitte & Touche LLP

Atlanta, Georgia
February 20, 2023

We have served as the Company's auditor since 1969.

UNITED PARCEL SERVICE, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(In millions)

	December 31,	
	2022	2021
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 5,602	\$ 10,255
Marketable securities	1,993	338
Accounts receivable	12,729	12,669
Less: Allowance for credit losses	(146)	(128)
Accounts receivable, net	12,583	12,541
Other current assets	2,039	1,800
Total Current Assets	22,217	24,934
Property, Plant and Equipment, Net	34,719	33,475
Operating Lease Right-Of-Use Assets	3,755	3,562
Goodwill	4,223	3,692
Intangible Assets, Net	2,796	2,486
Deferred Income Tax Assets	139	176
Other Non-Current Assets	3,275	1,080
Total Assets	\$ 71,124	\$ 69,405
LIABILITIES AND SHAREOWNERS' EQUITY		
Current Liabilities:		
Current maturities of long-term debt, commercial paper and finance leases	\$ 2,341	\$ 2,131
Current maturities of operating leases	621	580
Accounts payable	7,512	7,523
Accrued wages and withholdings	4,049	3,819
Self-insurance reserves	1,069	1,048
Accrued group welfare and retirement plan contributions	1,076	1,038
Other current liabilities	1,472	1,430
Total Current Liabilities	18,140	17,569
Long-Term Debt and Finance Leases	17,321	19,784
Non-Current Operating Leases	3,238	3,033
Pension and Postretirement Benefit Obligations	4,807	8,047
Deferred Income Tax Liabilities	4,302	3,125
Other Non-Current Liabilities	3,513	3,578
Shareowners' Equity:		
Class A common stock (134 and 138 shares issued in 2022 and 2021, respectively)	2	2
Class B common stock (725 and 732 shares issued in 2022 and 2021, respectively)	7	7
Additional paid-in capital	—	1,343
Retained earnings	21,326	16,179
Accumulated other comprehensive loss	(1,549)	(3,278)
Deferred compensation obligations	13	16
Less: Treasury stock (0.2 and 0.3 shares in 2022 and 2021, respectively)	(13)	(16)
Total Equity for Controlling Interests	19,786	14,253
Noncontrolling Interests	17	16
Total Shareowners' Equity	19,803	14,269
Total Liabilities and Shareowners' Equity	\$ 71,124	\$ 69,405

See notes to audited, consolidated financial statements.

UNITED PARCEL SERVICE, INC. AND SUBSIDIARIES
STATEMENTS OF CONSOLIDATED INCOME
(In millions, except per share amounts)

	Years Ended December 31,		
	2022	2021	2020
Revenue	\$ 100,338	\$ 97,287	\$ 84,628
Operating Expenses:			
Compensation and benefits	47,781	46,707	44,529
Repairs and maintenance	2,515	2,443	2,365
Depreciation and amortization	3,188	2,953	2,698
Purchased transportation	17,653	19,058	15,631
Fuel	6,018	3,847	2,582
Other occupancy	1,818	1,698	1,539
Other expenses	8,271	7,771	7,600
Total Operating Expenses	87,244	84,477	76,944
Operating Profit	13,094	12,810	7,684
Other Income and (Expense):			
Investment income (expense) and other	2,435	4,479	(5,139)
Interest expense	(704)	(694)	(701)
Total Other Income and (Expense)	1,731	3,785	(5,840)
Income Before Income Taxes	14,825	16,595	1,844
Income Tax Expense	3,277	3,705	501
Net Income	\$ 11,548	\$ 12,890	\$ 1,343
Basic Earnings Per Share	\$ 13.26	\$ 14.75	\$ 1.55
Diluted Earnings Per Share	\$ 13.20	\$ 14.68	\$ 1.54

STATEMENTS OF CONSOLIDATED COMPREHENSIVE INCOME (LOSS)
(In millions)

	Years Ended December 31,		
	2022	2021	2020
Net Income	\$ 11,548	\$ 12,890	\$ 1,343
Change in foreign currency translation adjustment, net of tax	(284)	(181)	97
Change in unrealized gain (loss) on marketable securities, net of tax	(10)	(7)	2
Change in unrealized gain (loss) on cash flow hedges, net of tax	184	206	(335)
Change in unrecognized pension and postretirement benefit costs, net of tax	1,839	3,817	(880)
Comprehensive Income (Loss)	\$ 13,277	\$ 16,725	\$ 227

See notes to audited, consolidated financial statements.

UNITED PARCEL SERVICE, INC. AND SUBSIDIARIES
STATEMENTS OF CONSOLIDATED CASH FLOWS
(In millions)

	Years Ended December 31,		
	2022	2021	2020
Cash Flows From Operating Activities:			
Net income	\$ 11,548	\$ 12,890	\$ 1,343
Adjustments to reconcile net income to net cash from operating activities:			
Depreciation and amortization	3,188	2,953	2,698
Pension and postretirement benefit (income) expense	(129)	(2,456)	7,125
Pension and postretirement benefit contributions	(2,342)	(576)	(3,125)
Self-insurance reserves	(20)	178	503
Deferred tax (benefit) expense	531	1,645	(858)
Stock compensation expense	1,568	878	796
Other (gains) losses	123	137	917
Changes in assets and liabilities, net of effects of acquisitions:			
Accounts receivable	(322)	(2,147)	(1,562)
Other assets	117	312	218
Accounts payable	34	1,265	904
Accrued wages and withholdings	(189)	(245)	1,631
Other liabilities	(9)	151	(110)
Other operating activities	6	22	(21)
Net cash from operating activities	<u>14,104</u>	<u>15,007</u>	<u>10,459</u>
Cash Flows From Investing Activities:			
Capital expenditures	(4,769)	(4,194)	(5,412)
Proceeds from disposal of businesses, property, plant and equipment	12	872	40
Purchases of marketable securities	(1,906)	(312)	(254)
Sales and maturities of marketable securities	255	366	360
Net change in finance receivables	24	34	44
Acquisitions, net of cash acquired	(755)	(602)	(20)
Other investing activities	(333)	18	(41)
Net cash used in investing activities	<u>(7,472)</u>	<u>(3,818)</u>	<u>(5,283)</u>
Cash Flows From Financing Activities:			
Net change in short-term debt	—	—	(2,462)
Proceeds from long-term borrowings	—	—	5,003
Repayments of long-term borrowings	(2,304)	(2,773)	(3,392)
Purchases of common stock	(3,500)	(500)	(224)
Issuances of common stock	262	251	285
Dividends	(5,114)	(3,437)	(3,374)
Other financing activities	(529)	(364)	(353)
Net cash used in financing activities	<u>(11,185)</u>	<u>(6,823)</u>	<u>(4,517)</u>
Effect Of Exchange Rate Changes On Cash, Cash Equivalents and Restricted Cash	(100)	(21)	13
Net Increase (Decrease) In Cash, Cash Equivalents and Restricted Cash	<u>(4,653)</u>	<u>4,345</u>	<u>672</u>
Cash, Cash Equivalents and Restricted Cash:			
Beginning of period	10,255	5,910	5,238
End of period	<u>\$ 5,602</u>	<u>\$ 10,255</u>	<u>\$ 5,910</u>
Cash Paid During The Period For:			
Interest (net of amount capitalized)	<u>\$ 721</u>	<u>\$ 697</u>	<u>\$ 691</u>
Income taxes (net of refunds)	<u>\$ 2,574</u>	<u>\$ 1,869</u>	<u>\$ 1,138</u>

See notes to audited, consolidated financial statements.

UNITED PARCEL SERVICE, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF ACCOUNTING POLICIES

Basis of Financial Statements and Business Activities

The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States ("GAAP"), and include the accounts of United Parcel Service, Inc., and all of its consolidated subsidiaries (collectively "UPS" or the "Company"). All intercompany balances and transactions have been eliminated.

We provide transportation services, primarily domestic and international letter and package delivery. Through our Supply Chain Solutions subsidiaries, we are also a global provider of transportation, logistics and related services.

Use of Estimates

The preparation of our consolidated financial statements requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities, the reported amounts of revenues and expenses and the disclosure of contingencies. Estimates have been prepared on the basis of the most current and best information, and actual results could differ materially from those estimates. In particular, a number of estimates have been and will continue to be affected by the ongoing COVID-19 pandemic. The pandemic and its economic consequences remain uncertain, are changing and are difficult to predict. As a result, our accounting estimates and assumptions may change over time.

Revenue Recognition

United States ("U.S.") Domestic Package and International Package Operations: Revenue is recognized over time as we perform the services in the contract.

Forwarding: Freight forwarding revenue, including truckload brokerage revenue, and expenses related to the transportation of freight are recognized over time as we perform the services. Customs brokerage revenue is recognized upon completing documents necessary for customs entry purposes.

Logistics: In our Logistics business we have a right to consideration from customers in an amount that corresponds directly with the value to the customers of our performance completed to date, and as such we recognize revenue in the amount to which we have a right to invoice the customer.

UPS Freight: Prior to the divestiture in 2021, revenue was recognized over time as we performed the services in the contract.

Cash and Cash Equivalents

Cash and cash equivalents consist of highly liquid investments that are readily convertible into cash. We consider securities with maturities of three months or less and insignificant credit risk, when purchased, to be cash equivalents. The carrying amount of these securities approximates fair value because of the short-term maturity of these instruments. As of December 31, 2022 and 2021, we did not have any restricted cash balances.

Marketable Securities and Non-Current Investments

Debt securities are classified as either trading or available-for-sale securities and are carried at fair value. Unrealized gains and losses on trading securities are reported as *Investment income (expense) and other* on the statements of consolidated income. Unrealized gains and losses on available-for-sale securities are reported as other comprehensive income, a separate component of shareowners' equity. The amortized cost of debt securities is adjusted for amortization of premiums and accretion of discounts to maturity. Such amortization and accretion is included in *Investment income (expense) and other*, together with interest and dividends. The cost of securities sold is based on the specific identification method; realized gains and losses resulting from such sales are included in *Investment income (expense) and other*.

UNITED PARCEL SERVICE, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

We periodically review our available-for-sale investments for indications of other-than-temporary impairment considering many factors, including the extent and duration to which a security's fair value has been less than its cost, overall economic and market conditions and the financial condition and specific prospects for the issuer. Impairment of available-for-sale securities results in a charge to income when a market decline below cost is other-than-temporary. We have both the intent and ability to hold these securities for the time necessary to recover the cost basis. If a decline in fair value is determined to be the result of a credit loss, then the decrease is recognized in income through an allowance for credit losses.

Investments in equity securities through which we exercise significant influence but do not have control over the investee are accounted for under the equity method. We record the investment at cost and subsequently increase or decrease the carrying amount of the investment by our proportionate share of the net earnings or losses and other comprehensive income of the investee. Gains and losses from equity method investments are reported in *Investment income (expense) and other* on the statements of consolidated income. We record dividends or other equity distributions as reductions of the carrying value of the investment. Equity method investments are included within *Other Non-Current Assets* on our consolidated balance sheets.

Inventories

Fuel and other materials and supplies inventories are recognized as inventory when purchased, and then charged to expense when used in our operations. Jet fuel, diesel and unleaded gasoline inventories are valued at the lower of average cost or net realizable value. Total inventories were \$889 and \$717 million as of December 31, 2022 and 2021, respectively, and are included in *Other current assets* in the consolidated balance sheets.

Property, Plant and Equipment

Property, plant and equipment are carried at cost. We evaluate the useful lives of our property, plant and equipment based on our usage, maintenance and replacement policies, and taking into account physical and economic factors that may affect the useful lives of the assets.

Depreciation and amortization are provided by the straight-line method over the estimated useful lives of the assets, which are as follows:

- Aircraft: 7 to 40 years, based on aircraft type and original aircraft manufacture date
- Buildings: 10 to 40 years
- Leasehold Improvements: lesser of asset useful life or lease term
- Plant Equipment: 3 to 20 years
- Technology Equipment: 3 to 10 years
- Vehicles: 5 to 15 years

Routine maintenance and repairs are generally charged to expense as incurred. For substantially all of our aircraft, the costs of major airframe and engine overhauls, as well as routine maintenance and repairs, are charged to expense as incurred.

Interest incurred during the construction of property, plant and equipment is capitalized until the underlying assets are placed in service, at which time amortization of the capitalized interest begins, straight-line, over the estimated useful lives of the related assets. Capitalized interest was \$60 and \$58 million for the years ended December 31, 2022 and 2021, respectively.

We monitor our property, plant and equipment for any indicators that the carrying value of the assets may not be recoverable, at which time we review long-lived assets for impairment based on undiscounted future cash flows. If the carrying amount of the asset is determined not to be recoverable, a write-down to fair value is recorded. Fair values are determined based on quoted market values, discounted cash flows or external appraisals, as appropriate. We test long-lived assets for impairment at the asset group level, which is the lowest level at which independent cash flows can be identified. Refer to note 4 for a discussion of impairments of property, plant and equipment.

Leases

We recognize a right-of-use ("ROU") asset and lease obligation for all leases greater than twelve months, including reasonably certain renewal or purchase options. Some of our leases contain both lease and non-lease components, which we have elected to treat as a single lease component. Lease costs for short-term leases are recognized on a straight-line basis over the lease term.

UNITED PARCEL SERVICE, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Certain of our leases contain future payments that are dependent on an index or rate, such as the consumer price index. We initially measure the lease obligation and ROU asset using the index or rate at the commencement date. In subsequent periods, lease payments dependent on an index or rate are not remeasured. Rather, changes to payments due to a change in an index or rate are recognized in our statements of consolidated income in the period of the change.

When available, we use the rate implicit in the lease to discount lease payments; however, the rate implicit in the lease is not readily determinable for substantially all of our leases. For these leases, we use an estimate of our incremental borrowing rate to discount lease payments based on information available at lease commencement. The incremental borrowing rate is derived using multiple inputs including our credit rating, the impact of full collateralization, lease term and denominated currency.

Goodwill and Intangible Assets

Costs of purchased businesses in excess of net identifiable assets acquired (goodwill) and indefinite-lived intangible assets are tested for impairment at least annually, unless changes in circumstances indicate an impairment may have occurred sooner. We are required to test goodwill on a reporting unit basis and we complete our annual goodwill impairment evaluation as of July 1st.

In assessing goodwill for impairment, we initially evaluate qualitative factors to determine if it is more likely than not that the fair value of a reporting unit is less than its carrying amount. We consider several factors, including macroeconomic conditions, industry and market conditions, overall financial performance of the reporting unit, changes in management, strategy or customers and relevant reporting unit-specific events such as a change in the carrying amount of net assets, a more likely than not expectation of selling or disposing of all, or a portion of, a reporting unit, and the testing for recoverability of a significant asset group within a reporting unit. If this qualitative assessment results in a conclusion that it is more likely than not that the fair value of a reporting unit exceeds the carrying value, then no further testing is performed for that reporting unit.

If the qualitative assessment is not conclusive, we quantitatively assess the fair value of a reporting unit to test goodwill for impairment. We assess the fair value of a reporting unit using a combination of discounted cash flow modeling and observable valuation multiples for comparable companies. If the carrying amount of a reporting unit exceeds the reporting unit's fair value, we record the excess amount as goodwill impairment, not to exceed the total amount of goodwill allocated to the reporting unit.

When performing impairment tests of indefinite-lived intangible assets, the estimated fair value is compared to the carrying value of the asset. If the carrying value of the asset exceeds its estimated fair value, an impairment charge is recognized for the amount by which the carrying amount of the asset exceeds its fair value.

Finite-lived intangible assets, including trademarks, licenses, patents, customer lists, non-compete agreements and franchise rights are amortized on a straight-line basis over their estimated useful lives, which range from 2 to 21 years. Capitalized software is generally amortized over 7 years.

Assets Held for Sale

We classify long-lived assets or disposal groups as held for sale in the period when all of the following conditions have been met:

- we have approved and committed to a plan to sell the assets or disposal group;
- the asset or disposal group is available for immediate sale in its present condition;
- an active program to locate a buyer and other actions required to complete the sale have been initiated;
- the sale of the asset or disposal group is probable and expected to be completed within one year;
- the asset or disposal group is being actively marketed for sale at a price that is reasonable in relation to its current fair value; and
- it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn.

UNITED PARCEL SERVICE, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

We initially measure a long-lived asset or disposal group that is classified as held for sale at the lower of its carrying value or fair value less any costs to sell and recognize any loss in the period in which the held for sale criteria are met. Gains are not recognized until the date of sale. We cease depreciation and amortization of a long-lived asset, or assets within a disposal group, upon their designation as held for sale and subsequently assess fair value less any costs to sell at each reporting period until the asset or disposal group is no longer classified as held for sale.

Self-Insurance Accruals

We self-insure costs associated with workers' compensation claims, automobile liability, health and welfare and general business liabilities, up to certain limits. Self-insurance reserves are established for estimates of the losses we will ultimately incur on reported claims, as well as estimates of claims that have been incurred but not yet reported. The expected ultimate cost for claims incurred is estimated based upon historical loss experience and judgments about the present and expected levels of cost per claim. Trends in actual experience are a significant factor in the determination of our reserves.

In November 2022, we transferred a portion of our workers' compensation liability related to policy years 2007 through 2016 to a third-party insurer. We paid \$341 million to transfer a portfolio of claims for which we carried reserves of \$332 million, recognizing a pre-tax loss of \$9 million that was recorded in *Other expenses* in the statement of consolidated income for the year ended December 31, 2022.

We also sponsor a number of health and welfare insurance plans for our employees. Liabilities and expenses related to these plans are based on estimates of the number of employees and eligible dependents covered under the plans, global health events, anticipated medical usage by participants and overall trends in medical costs and inflation.

Pension and Postretirement Benefits

We incur certain employment-related expenses associated with company-sponsored defined benefit pension and postretirement medical benefits. These expenses are calculated using various actuarial assumptions and methodologies, including discount rates, expected returns on plan assets, healthcare cost trend rates, inflation, compensation increase rates, mortality rates and coordination of benefits with plans not sponsored by UPS. Actuarial assumptions are reviewed on an annual basis, unless circumstances require an interim measurement of any of our plans.

We recognize changes in the fair value of plan assets and net actuarial gains or losses in excess of a corridor (defined as 10% of the greater of the fair value of plan assets or the plan's projected benefit obligation) in *Investment income (expense) and other* upon remeasurement of a plan. The remaining components of pension expense, primarily service and interest costs and the expected return on plan assets, are recorded ratably on a quarterly basis.

We recognize expense for required contributions to defined contribution plans quarterly, and we recognize a liability for any contributions due and unpaid within *Accrued group welfare and retirement plan contributions*.

We participate in a number of trustee-managed multiemployer pension and health and welfare plans for employees covered under collective bargaining agreements. Our contributions to these plans are determined in accordance with the respective collective bargaining agreements. We recognize expense for the contractually required contribution for each period, and we recognize a liability for any contributions due and unpaid within *Accrued group welfare and retirement plan contributions*.

Income Taxes

Income taxes are accounted for on an asset and liability approach that requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been recognized in our consolidated financial statements or tax returns. In estimating future tax consequences, we generally consider all expected future events other than proposed changes in the tax law or rates. Valuation allowances are provided if it is more likely than not that a deferred tax asset will not be realized. Our current accounting policy for releasing income tax effects from other comprehensive income is based on a portfolio approach.

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We recognize liabilities for uncertain tax positions based on a two-step process. The first step is to evaluate the tax position for recognition by determining if the weight of available evidence indicates that it is more likely than not that the position will be sustained on audit, including resolution of related appeals or litigation processes, if any. Once it is determined that the position meets the recognition threshold, the second step requires us to estimate and measure the largest amount of tax benefit that is more likely than not to be realized upon ultimate settlement. The difference between the amount of recognizable tax benefit and the total amount of tax benefit from positions filed or to be filed with the tax authorities is recorded as a liability for uncertain tax benefits. It is inherently difficult and subjective to estimate such amounts, as we have to determine the probability of various possible outcomes. We reevaluate uncertain tax positions on a quarterly basis. This evaluation is based on factors including, but not limited to, changes in facts or circumstances, changes in tax law, effectively settled issues under audit and new audit activity. Such a change in recognition or measurement could result in the recognition of a tax benefit or an additional charge to the tax provision.

Foreign Currency Translation and Remeasurement

We translate the results of operations of our foreign subsidiaries using average exchange rates for each period, whereas balance sheet accounts are translated using exchange rates at the end of each period. Balance sheet currency translation adjustments are recorded in other comprehensive income. Pre-tax foreign currency transaction gains (losses) from remeasurement, net of hedging, included in *Investment income (expense) and other* were \$72, \$(36) and \$9 million in 2022, 2021 and 2020, respectively.

Stock-Based Compensation

Share-based awards to employees are measured based on their fair values and expensed over the period during which an employee is required to provide service in exchange for the award (the vesting period), less estimated forfeitures. We have issued employee share-based awards under various incentive compensation plans that contain vesting conditions, including service conditions, where the awards cliff vest after one or three years or vest ratably over periods up to five years (the "nominal vesting period") or at the date the employee retires (as defined by the plan), if earlier. Compensation cost is generally recognized immediately for awards granted to retirement-eligible employees, or over the period from the grant date to the date retirement eligibility is achieved, if that is expected to occur during the nominal vesting period. We estimate forfeiture rates based on historical rates of forfeitures for awards with similar characteristics, historical and projected rates of employee turnover and the nature and terms of the vesting conditions of the awards. We reevaluate our forfeiture rates on an annual basis.

Fair Value Measurements

Our financial assets and liabilities measured at fair value on a recurring basis have been categorized based upon a fair value hierarchy. Level 1 inputs utilize quoted prices in active markets for identical assets or liabilities. Level 2 inputs are based on other observable market data, such as quoted prices for similar assets and liabilities, and inputs other than quoted prices that are observable, such as interest rates and yield curves. Level 3 inputs are developed from unobservable data reflecting our own assumptions, and include situations where there is little or no market activity for the asset or liability.

Certain non-financial assets and liabilities are measured at fair value on a nonrecurring basis, including property, plant, and equipment, goodwill and intangible assets. These assets are subject to fair value adjustments in certain circumstances, such as when there is an impairment.

For business acquisitions, we allocate the fair value of purchase consideration to the tangible assets acquired, liabilities assumed and identified intangible assets based on their estimated fair values. The excess of the fair value of purchase consideration over the fair values of these identifiable assets and liabilities is recorded as goodwill. During the measurement period, which is one year from the acquisition date, we may record adjustments to the assets acquired and liabilities assumed, with the corresponding offset to goodwill. Following the conclusion of the measurement period, any subsequent adjustments are recorded to earnings.

Derivative Instruments

We recognize all derivative instruments as assets or liabilities in the consolidated balance sheets at fair value. The accounting for changes in the fair value of a derivative instrument depends on whether it has been designated and qualifies as part of a hedging relationship and, further, on the type of hedging relationship. For those derivative instruments that are designated and qualify as hedging instruments, we designate the derivative as a cash flow hedge, a fair value hedge or a hedge of a net investment in a foreign operation based upon the exposure being hedged.

- A cash flow hedge refers to hedging the exposure to variability in expected future cash flows that is attributable to a particular risk. For derivative instruments that are designated and qualify as cash flow hedges, the gain or loss on the derivative instrument is reported as a component of other comprehensive income, and reclassified into earnings in the period during which the hedged transaction affects earnings.
- A fair value hedge refers to hedging the exposure to changes in the fair value of an existing asset or liability that is attributable to a particular risk. For derivative instruments that are designated and qualify as fair value hedges, the gain or loss on the derivative instrument is recognized in earnings during the current period, together with the gain or loss on the hedged item.
- A net investment hedge refers to the use of cross currency swaps, forward contracts or foreign-currency-denominated debt to hedge portions of net investments in foreign operations. For instruments that meet the hedge accounting requirements, the net gains or losses attributable to changes in spot exchange rates are recorded in the foreign currency translation adjustment within other comprehensive income, and are recorded in the income statement when the hedged item affects earnings.

Adoption of New Accounting Standards

In December 2019, the Financial Accounting Standards Board issued an Accounting Standards Update ("ASU") to simplify the accounting for income taxes. The update removes certain exceptions to the general income tax principles. Effective October 1, 2020, we early adopted this ASU. It did not have a material impact on our consolidated financial position, results of operations, cash flows or internal controls.

In March 2020, the FASB issued ASU 2020-04, Reference Rate Reform (Topic 848), and in December 2022 subsequently issued ASU 2022-06, to temporarily ease the potential burden in accounting for reference rate reform. The standard provides optional expedients and exceptions for applying GAAP to contracts, hedging relationships and other transactions affected by reference rate reform. The guidance was effective upon issuance and at present can generally be applied through December 31, 2024. We are evaluating the potential impacts of reference rate reform on our various contractual positions to determine whether we may apply any of the practical expedients set forth in this standard; however, we do not expect reference rate reform to have a material impact on our consolidated financial position, results of operations, cash flows, or internal controls.

Other accounting pronouncements adopted during the periods covered by the consolidated financial statements did not have a material impact on our consolidated financial position, results of operations, cash flows or internal controls.

Accounting Standards Issued But Not Yet Effective

In September 2022, the FASB issued an ASU to enhance the disclosure of supplier finance programs. The update will be effective for us in the first quarter of 2023. We are evaluating the impact of its adoption on our consolidated financial statements and internal control over financial reporting environment but do not expect this ASU to have a material impact on our consolidated financial position, results of operations, cash flows or internal controls.

Other accounting pronouncements issued, but not effective until after December 31, 2022, are not expected to have a material impact on our consolidated financial position, results of operations, cash flows or internal controls.

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NOTE 2. REVENUE RECOGNITION

Revenue Recognition

Substantially all of our revenues are from contracts associated with the pickup, transportation and delivery of packages and freight ("transportation services"). These services may be carried out by or arranged by us and generally occur over a short period of time. Additionally, we provide value-added logistics services to customers through our global network of company-owned and leased distribution centers and field stocking locations.

Disaggregation of Revenue

	Year Ended December 31,		
	2022	2021	2020
Revenue:			
Next Day Air	\$ 10,699	\$ 10,009	\$ 8,522
Deferred	5,968	5,846	5,665
Ground	47,542	44,462	39,312
U.S. Domestic Package	\$ 64,209	\$ 60,317	\$ 53,499
Domestic	\$ 3,346	\$ 3,690	\$ 3,160
Export	15,341	15,012	12,159
Cargo & Other	1,011	839	626
International Package	\$ 19,698	\$ 19,541	\$ 15,945
Forwarding	\$ 8,943	\$ 9,872	\$ 6,975
Logistics	5,351	4,767	4,073
Freight	—	1,064	3,149
Other	2,137	1,726	987
Supply Chain Solutions	\$ 16,431	\$ 17,429	\$ 15,184
Consolidated revenue	<u>\$ 100,338</u>	<u>\$ 97,287</u>	<u>\$ 84,628</u>

We account for a contract when both parties have approved the contract and are committed to perform their obligations, the rights of the parties are identified, payment terms are identified, the contract has commercial substance and collectability of consideration is probable.

Performance Obligations

A performance obligation is a promise in a contract to transfer a distinct good or service to the customer, and is the basis of revenue recognition. The vast majority of our contracts with customers are for transportation services that include only one performance obligation; the transportation services themselves. If a contract contains more than one performance obligation, we allocate the total transaction price to each performance obligation based on the estimated relative standalone selling prices of the services underlying each performance obligation.

In certain business units, such as Logistics, we sell customized, customer-specific solutions in which we integrate a complex set of tasks and components into a single capability that is accounted for as one performance obligation.

Satisfaction of Performance Obligations

We generally recognize revenue over time as we perform services in the contract because our customers receive the benefit of our services as goods are transported from one location to another. Further, if we were unable to complete delivery to the final location, those services would not need to be re-performed.

UNITED PARCEL SERVICE, INC. AND SUBSIDIARIES
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We recognize revenue based on the extent of progress towards completion of our services. We use the cost-to-cost measure of progress for our package delivery contracts because it best depicts the benefit received by the customer, which occurs as we incur costs on our contracts. Under this measure, the extent of progress towards completion is measured based on the ratio of costs incurred to date to the total estimated costs at completion of the service. Revenues, including ancillary or accessorial fees and reductions for estimated customer incentives, are recorded proportionally as costs are incurred. Costs to fulfill include labor and other direct costs and an allocation of indirect costs.

For our freight forwarding contracts, an output method of progress based on time-in-transit is utilized as the timing of costs incurred does not best depict the benefit to the customer. In our Logistics business we have a right to consideration from customers in an amount that corresponds directly with the value to the customers of our performance completed to date; therefore we recognize revenue in the amount to which we have a right to invoice the customer.

Variable Consideration

Our contracts commonly contain customer incentives, guaranteed service refunds or other provisions that can either increase or decrease the rates paid for services. These variable amounts are generally dependent upon achievement of certain incentive tiers or performance metrics. We record revenue, which may be reduced by incentives or other contract provisions, to the extent it is probable that a significant reversal of cumulative amounts recognized will not occur when the uncertainty associated with the variable consideration is resolved. Our estimates of revenue are based on an assessment of anticipated customer spending and all information (historical, current and forecasted) that is reasonably available to us.

Contract Modifications

Contracts are often modified to account for changes in the rates we charge our customers or to add additional, distinct services. We consider contract modifications to exist when the modification either creates new, or changes the existing, enforceable rights and obligations. Contract modifications that add distinct goods or services are treated as separate contracts. Contract modifications that do not add distinct goods or services typically change the price of existing services. These contract modifications are accounted for prospectively as the remaining performance obligations are distinct.

Payment Terms

Under the typical payment terms of our customer contracts, customers pay at periodic intervals, which are generally seven days within our U.S. Domestic Package business, for shipments included on invoices received. Invoices are generated each week on the week-ending day, which is Saturday for the majority of our U.S. Domestic Package business, but could be another day depending on the business unit or the specific agreement with the customer. It is not customary business practice to extend payment terms past 90 days, and as such, we do not have a practice of including a significant financing component within our contracts with customers.

Principal vs. Agent Considerations

In our transportation businesses, we may utilize independent contractors and third-party carriers to perform transportation services. We have determined that all our major businesses act as principal rather than agent within their revenue arrangements. Consequently, revenue and the associated purchased transportation costs are reported on a gross basis within our statements of consolidated income.

Accounts Receivable, Net

Accounts receivable, net, include amounts billed and currently due from customers. The amounts due are stated at their net estimated realizable value. Losses on accounts receivable are recognized when reasonable and supportable forecasts affect the expected collectability. This requires us to make our best estimate of the current expected losses inherent in our accounts receivable at each balance sheet date. These estimates require consideration of historical loss experience, adjusted for current conditions, forward-looking indicators, trends in customer payment frequency, and judgments about the probable effects of relevant observable data, including present and future economic conditions and the financial health of specific customers and market sectors. Our risk management process includes standards and policies for reviewing major account exposures and concentrations of risk.

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We increased our allowance for expected credit losses by \$18 million during 2022 based upon current forecasts that reflect changes in the economic outlook. Our allowance for credit losses as of December 31, 2022 and 2021 was \$146 and \$128 million, respectively. Amounts for credit losses charged to expense before recoveries during the twelve months ended December 31, 2022 and 2021 were \$214 and \$175 million, respectively.

Contract Assets and Liabilities

Contract assets include billed and unbilled amounts resulting from in-transit shipments, as we have an unconditional right to payment only when services have been completed (i.e., shipments have been delivered). Amounts do not exceed their net realizable value. Contract assets are generally classified as current and the full balance is converted each quarter based on the short-term nature of the transactions.

Contract liabilities consist of advance payments and billings in excess of revenue as well as deferred revenue. Advance payments and billings in excess of revenue represent payments received from our customers that will be earned over the contract term. Deferred revenue represents the amount due from customers related to in-transit shipments that has not yet been recognized as revenue based on our selected measure of progress. We classify advance payments and billings in excess of revenue as either current or long-term, depending on the period over which the amount will be earned. We classify deferred revenue as current based on the short-term nature of the transactions. Our contract assets and liabilities are reported in a net position on a contract-by-contract basis at the end of each reporting period. In order to determine revenue recognized in the period from contract liabilities, we first allocate revenue to the individual contract liability balance outstanding at the beginning of the period until the revenue exceeds that deferred revenue balance.

Contract assets and liabilities as of December 31, 2022 and 2021 were as follows (in millions):

	Balance Sheet Location	2022	2021
Contract Assets:			
Revenue related to in-transit packages	Other current assets	\$ 308	\$ 304
Contract Liabilities:			
Short-term advance payments from customers	Other current liabilities	\$ 11	\$ 27
Long-term advance payments from customers	Other non-current liabilities	\$ 26	\$ 25

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NOTE 3. MARKETABLE SECURITIES AND NON-CURRENT INVESTMENTS

The following is a summary of marketable securities classified as trading and available-for-sale as of December 31, 2022 and 2021 (in millions):

	<u>Cost</u>	<u>Unrealized Gains</u>	<u>Unrealized Losses</u>	<u>Estimated Fair Value</u>
2022				
Current trading marketable securities:				
Corporate debt securities	\$ —	\$ —	\$ —	\$ —
Equity securities	2	—	—	2
Total trading marketable securities	<u>2</u>	<u>—</u>	<u>—</u>	<u>2</u>
Current available-for-sale marketable securities:				
U.S. government and agency debt securities	355	—	(8)	347
Mortgage and asset-backed debt securities	9	—	—	9
Corporate debt securities	1,472	—	(6)	1,466
U.S. state and local municipal debt securities	4	—	—	4
Non-U.S. government debt securities	165	—	—	165
Total available-for-sale marketable securities	<u>2,005</u>	<u>—</u>	<u>(14)</u>	<u>1,991</u>
Total current marketable securities	<u>\$ 2,007</u>	<u>\$ —</u>	<u>\$ (14)</u>	<u>\$ 1,993</u>
2021				
Current trading marketable securities:				
Corporate debt securities	\$ —	\$ —	\$ —	\$ —
Equity securities	2	—	—	2
Total trading marketable securities	<u>2</u>	<u>—</u>	<u>—</u>	<u>2</u>
Current available-for-sale marketable securities:				
U.S. government and agency debt securities	199	2	(1)	200
Mortgage and asset-backed debt securities	7	—	—	7
Corporate debt securities	121	—	—	121
U.S. state and local municipal debt securities	5	—	—	5
Non-U.S. government debt securities	3	—	—	3
Total available-for-sale marketable securities	<u>335</u>	<u>2</u>	<u>(1)</u>	<u>336</u>
Total current marketable securities	<u>\$ 337</u>	<u>\$ 2</u>	<u>\$ (1)</u>	<u>\$ 338</u>

Total current marketable securities that were pledged as collateral for our self-insurance requirements had an estimated fair value of \$33 and \$336 million as of December 31, 2022 and 2021, respectively.

The gross realized gains on sales of available-for-sale marketable securities totaled \$0, \$7 and \$5 million in 2022, 2021 and 2020, respectively. The gross realized losses on sales of available-for-sale marketable securities totaled \$3, \$2 and \$0 million in 2022, 2021 and 2020, respectively.

There were no material impairment losses recognized on marketable securities during 2022, 2021 or 2020.

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Unrealized Losses

The following table presents the age of gross unrealized losses and fair value by investment category for all securities in a loss position as of December 31, 2022 (in millions):

	Less Than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
U.S. government and agency debt securities	\$ 209	\$ (4)	\$ 68	\$ (4)	\$ 277	\$ (8)
Mortgage and asset-backed debt securities	7	—	—	—	7	—
Corporate debt securities	592	(3)	51	(3)	643	(6)
U.S. state and local municipal debt securities	—	—	4	—	4	—
Total marketable securities	\$ 808	\$ (7)	\$ 123	\$ (7)	\$ 931	\$ (14)

Maturity Information

The amortized cost and estimated fair value of marketable securities as of December 31, 2022 by contractual maturity are shown below (in millions). Actual maturities may differ from contractual maturities because the issuers of the securities may have the right to prepay obligations with or without prepayment penalties.

	Cost	Estimated Fair Value
Due in one year or less	\$ 1,187	\$ 1,187
Due after one year through three years	791	777
Due after three years through five years	27	27
Due after five years	—	—
	2,005	1,991
Equity securities	2	2
	\$ 2,007	\$ 1,993

Non-current investments

We hold non-current investments that are reported within *Other Non-Current Assets* on our consolidated balance sheets. Cash paid for these investments is included in *Other investing activities* in our statements of consolidated cash flows.

- *Equity method investments:* During the fourth quarter of 2022 we invested \$252 million in the parent company of CommerceHub, Inc., a software provider connecting retailers and brands with marketplaces, drop ship solutions and delivery providers. We determined there is no amortizable basis difference between the purchase price for our investment and the underlying books and records of the investee. As of December 31, 2022 and 2021, equity securities accounted for under the equity method had a carrying value of \$256 and \$28 million, respectively.
- *Other equity securities:* Certain equity securities that do not have readily determinable fair values are reported in accordance with the measurement alternative in Accounting Standards Codification Topic 321 *Investments – Equity Securities*. As of December 31, 2022 and 2021, we had equity securities of \$1 and \$26 million, respectively, accounted for under the measurement alternative.
- *Other investments:* We hold an investment in a variable life insurance policy to fund benefits for the UPS Excess Coordinating Benefit Plan. The investment had a fair market value of \$18 and \$23 million as of December 31, 2022 and 2021, respectively.

Fair Value Measurements

Marketable securities valued utilizing Level 1 inputs include active exchange-traded equity securities and equity index funds, and most U.S. government debt securities, as these securities all have quoted prices in active markets. Marketable securities valued utilizing Level 2 inputs include asset-backed securities, corporate bonds and municipal bonds. These securities are valued using market corroborated pricing, matrix pricing or other models that utilize observable inputs such as yield curves.

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The following table presents information about our investments measured at fair value on a recurring basis as of December 31, 2022 and 2021, and indicates the fair value hierarchy of the valuation techniques utilized to determine such fair value (in millions):

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
2022				
Marketable Securities:				
U.S. government and agency debt securities	\$ 279	\$ 68	\$ —	\$ 347
Mortgage and asset-backed debt securities	—	9	—	9
Corporate debt securities	—	1,466	—	1,466
U.S. state and local municipal debt securities	—	4	—	4
Equity securities	—	2	—	2
Non-U.S. government debt securities	—	165	—	165
Total marketable securities	279	1,714	—	1,993
Other non-current investments ⁽¹⁾	—	18	—	18
Total	\$ 279	\$ 1,732	\$ —	\$ 2,011

⁽¹⁾ Represents a variable life insurance policy funding benefits for the UPS Excess Coordinating Benefit Plan.

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
2021				
Marketable Securities:				
U.S. government and agency debt securities	\$ 200	\$ —	\$ —	\$ 200
Mortgage and asset-backed debt securities	—	7	—	7
Corporate debt securities	—	121	—	121
U.S. state and local municipal debt securities	—	5	—	5
Equity securities	—	2	—	2
Non-U.S. government debt securities	—	3	—	3
Total marketable securities	200	138	—	338
Other non-current investments ⁽¹⁾	—	23	—	23
Total	\$ 200	\$ 161	\$ —	\$ 361

⁽¹⁾ Represents a variable life insurance policy funding benefits for the UPS Excess Coordinating Benefit Plan.

There were no transfers of investments into or out of Level 3 during 2022 or 2021.

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NOTE 4. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment, including owned assets and assets subject to finance leases, consisted of the following as of December 31, 2022 and 2021 (in millions):

	2022	2021
Vehicles	\$ 10,628	\$ 10,018
Aircraft	22,598	21,973
Land	2,140	2,140
Buildings	6,032	5,802
Building and leasehold improvements	5,067	5,010
Plant equipment	16,145	15,650
Technology equipment	2,411	2,798
Construction-in-progress	2,409	1,418
	<u>67,430</u>	<u>64,809</u>
Less: Accumulated depreciation and amortization	(32,711)	(31,334)
Property, Plant and Equipment, Net	<u>\$ 34,719</u>	<u>\$ 33,475</u>

Property, plant and equipment purchased on account was \$176 and \$248 million as of December 31, 2022 and 2021, respectively.

There were no material impairment charges during the year ended December 31, 2022. We recognized impairment charges of \$71 million during the year ended December 31, 2021, due to the reevaluation of certain facility projects.

During 2022, we reduced the estimated residual value of our MD-11 aircraft to zero, incurring a one-time charge on our fully-depreciated aircraft during the fourth quarter. This resulted in an increase in depreciation expense of \$76 million, and a decrease in net income of \$58 million, or \$0.07 per share on a basic and diluted basis. The change in estimate for the remainder of our MD-11 fleet will be accounted for prospectively.

NOTE 5. COMPANY-SPONSORED EMPLOYEE BENEFIT PLANS

We sponsor various retirement and pension plans, including defined benefit and defined contribution plans which cover our employees worldwide.

U.S. Pension Benefits

In the U.S. we maintain the following single-employer defined benefit pension plans:

- The UPS Retirement Plan is noncontributory and includes substantially all eligible employees of participating domestic subsidiaries hired prior to July 1, 2016 who are not members of a collective bargaining unit, as well as certain employees covered by a collective bargaining agreement. This plan generally provides for retirement benefits based on average compensation earned by employees prior to retirement. Benefits payable under this plan are subject to maximum compensation limits and the annual benefit limits for a tax-qualified defined benefit plan as prescribed by the Internal Revenue Service ("IRS").
- The UPS Pension Plan is noncontributory and includes certain eligible employees of participating domestic subsidiaries and members of collective bargaining units that elect to participate in the plan. This plan generally provides for retirement benefits based on service credits earned by employees prior to retirement.
- The UPS/IBT Full-Time Employee Pension Plan is noncontributory and includes employees that were previously members of the Central States Pension Fund ("CSPF"), a multiemployer pension plan, in addition to other eligible employees who are covered under certain collective bargaining agreements. This plan generally provides for retirement benefits based on service credits earned by employees prior to retirement.
- The UPS Excess Coordinating Benefit Plan is a non-qualified plan that provides benefits to certain participants in the UPS Retirement Plan, hired prior to July 1, 2016, for amounts that exceed the benefit limits described above.

The UPS Retirement Plan and the UPS Excess Coordinating Benefit Plan ceased accruals of additional benefits for future service and compensation for non-union participants effective January 1, 2023.

The divestiture of UPS Freight in 2021 triggered an interim remeasurement of the plan assets and benefit obligations of the UPS Pension Plan, UPS Retirement Plan and UPS Retired Employee Health Care Plan as of April 30, 2021. The interim remeasurement resulted in an actuarial gain of \$2.1 billion, reflecting updated actuarial assumptions, and was recorded in other comprehensive income within the equity section of the consolidated balance sheet. An actuarial gain of \$69 million (\$52 million after tax) for a prior service credit related to the divested group and a \$66 million loss (\$50 million after tax) for certain plan amendments to the UPS Pension Plan were immediately recognized within *Other expenses* in the statement of consolidated income for the year ended December 31, 2021.

During 2021, we remeasured the UPS/IBT Full-Time Employee Pension Plan following the enactment into law of the American Rescue Plan Act, which is discussed below. The interim remeasurement resulted in a pre-tax mark-to-market gain of \$3.3 billion (\$2.5 billion after tax) during the year. The gain was included within *Investment income (expense) and other* in the statement of consolidated income for the year ended December 31, 2021.

International Pension Benefits

We also sponsor various defined benefit plans covering certain of our international employees. The majority of our international obligations are for defined benefit plans in Canada and the United Kingdom. In addition, many of our international employees are covered by government-sponsored retirement and pension plans. We are not directly responsible for providing benefits to participants of government-sponsored plans.

During 2022, we amended certain Canadian defined benefit pension plans to cease future benefit accruals effective December 31, 2023. We remeasured plan assets and benefit obligations for the plans, which resulted in curtailment gains of \$34 million (\$24 million after tax). These gains are included in *Investment income (expense) and other* in the statement of consolidated income.

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U.S. Postretirement Medical Benefits

We also sponsor postretirement medical plans in the U.S. that provide healthcare benefits to our non-union retirees, as well as select union retirees who meet certain eligibility requirements and who are not otherwise covered by multiemployer plans. Generally, this includes employees with at least 10 years of service who have reached age 55 and employees who are eligible for postretirement medical benefits from a company-sponsored plan pursuant to collective bargaining agreements. We have the right to modify or terminate certain of these plans. These benefits have been provided to certain retirees on a noncontributory basis; however, in many cases, retirees are required to contribute all or a portion of the total cost of the coverage.

Defined Contribution Plans

We sponsor a defined contribution plan for employees not covered under collective bargaining agreements, and several smaller defined contribution plans for certain employees covered under collective bargaining agreements. We match, in shares of UPS common stock or cash, a portion of the participating employees' contributions. Matching contributions charged to expense were \$153, \$153 and \$139 million for 2022, 2021 and 2020, respectively.

In addition to current benefits under the UPS 401(k) Savings Plan, non-union employees hired after July 1, 2016, receive a retirement contribution. UPS contributes 3% to 8% of eligible pay to the UPS 401(k) Savings Plan based on years of vesting service and business unit. Contributions under this plan are subject to maximum compensation and contribution limits for a tax-qualified defined contribution plan as prescribed by the IRS. The UPS Restoration Savings Plan is a non-qualified plan that provides benefits to certain participants in the UPS 401(k) Savings Plan for amounts that exceed these benefit limits. Contributions charged to expense were \$83, \$107 and \$84 million for 2022, 2021 and 2020 respectively.

On June 23, 2017, the Company amended the UPS 401(k) Savings Plan so that non-union employees who participated in the UPS Retirement Plan will, in addition to current benefits under the UPS 401(k) Savings Plan, earn a retirement contribution beginning January 1, 2023. UPS will contribute 5% to 8% of eligible compensation to the UPS 401(k) Savings Plan based on years of vesting service. The amendment also provides for transition contributions for certain participants. There was no impact to the statements of consolidated income for 2022, 2021 and 2020 as a result of this change.

Contributions are also made to defined contribution money purchase plans under certain collective bargaining agreements. Amounts charged to expense were \$119, \$112 and \$107 million for 2022, 2021 and 2020, respectively.

Net Periodic Benefit Cost

Information about net periodic benefit cost for the company-sponsored pension and postretirement defined benefit plans is as follows (in millions):

	U.S. Pension Benefits			U.S. Postretirement Medical Benefits			International Pension Benefits		
	2022	2021	2020	2022	2021	2020	2022	2021	2020
Net Periodic Benefit Cost:									
Service cost	\$ 2,024	\$ 1,897	\$ 1,853	\$ 30	\$ 28	\$ 29	\$ 68	\$ 76	\$ 67
Interest cost	1,950	1,948	1,977	83	81	91	45	38	40
Expected return on plan assets	(3,280)	(3,327)	(3,549)	(4)	(5)	(8)	(78)	(68)	(86)
Amortization of prior service cost	93	139	218	—	7	7	1	2	2
Actuarial (gain) loss	(875)	(3,284)	6,211	—	24	246	(152)	(12)	27
Curtailement and settlement (gain) loss	—	—	—	—	—	—	(34)	—	—
Net periodic benefit cost	\$ (88)	\$ (2,627)	\$ 6,710	\$ 109	\$ 135	\$ 365	\$ (150)	\$ 36	\$ 50

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Actuarial Assumptions

The table below provides the weighted-average actuarial assumptions used to determine the net periodic benefit cost:

	U.S. Pension Benefits			U.S. Postretirement Medical Benefits			International Pension Benefits		
	2022	2021	2020	2022	2021	2020	2022	2021	2020
Service cost discount rate	3.13 %	2.90 %	3.60 %	3.28 %	2.88 %	3.59 %	2.78 %	2.38 %	3.01 %
Interest cost discount rate	3.13 %	2.90 %	3.60 %	3.28 %	2.88 %	3.59 %	2.74 %	2.22 %	2.67 %
Rate of compensation increase	4.29 %	4.50 %	4.22 %	N/A	N/A	N/A	3.17 %	2.93 %	3.00 %
Expected return on plan assets	5.90 %	6.50 %	7.77 %	4.77 %	3.65 %	7.20 %	3.87 %	3.68 %	5.55 %
Cash balance interest credit rate	2.50 %	2.50 %	2.50 %	N/A	N/A	N/A	2.94 %	2.74 %	2.59 %

The table below provides the weighted-average actuarial assumptions used to determine the benefit obligations of our plans:

	U.S. Pension Benefits		U.S. Postretirement Medical Benefits		International Pension Benefits	
	2022	2021	2022	2021	2022	2021
Discount rate	5.79 %	3.13 %	6.06 %	3.28 %	4.63 %	2.33 %
Rate of compensation increase	3.25 %	4.29 %	N/A	N/A	3.20 %	3.17 %
Cash balance interest credit rate	4.21 %	2.50 %	N/A	N/A	3.69 %	2.94 %

A discount rate is used to determine the present value of our future benefit obligations. To determine the discount rate for our U.S. pension and postretirement benefit plans, we use a bond matching approach to select specific bonds that would satisfy our projected benefit payments. We believe the bond matching approach reflects the process we would employ to settle our pension and postretirement benefit obligations. For our international plans, the discount rate is determined by matching the expected cash flows of the plan, where available, or of a sample plan of similar duration, to a yield curve based on long-term, high quality fixed income debt instruments available as of the measurement date. These assumptions are updated each measurement date, which is typically annually.

As of December 31, 2022, the impact of each basis point change in the discount rate on the projected benefit obligation of our pension and postretirement medical benefit plans is as follows (in millions):

	Increase (Decrease) in the Projected Benefit Obligation			
	Pension Benefits		Postretirement Medical Benefits	
One basis point increase in discount rate	\$	(55)	\$	(1)
One basis point decrease in discount rate	\$	59	\$	2

The Society of Actuaries ("SOA") published mortality tables and improvement scales are used in developing the best estimate of mortality for our U.S. plans. In October 2022, the SOA elected to not release a new mortality improvement scale. Based on our perspective of future longevity, we elected to maintain the MP 2021 mortality scale assumption for purposes of measuring pension and other postretirement benefit obligations.

Assumptions for the expected return on plan assets are used to determine a component of net periodic benefit cost for the year. The assumption for our U.S. plans is developed using a long-term projection of returns for each asset class. Our asset allocation targets are reviewed annually and, if necessary, updated taking into consideration plan changes, funded status and actual performance. The expected return for each asset class is a function of passive, long-term capital market assumptions and excess returns generated from active management. The capital market assumptions used are provided by independent investment advisors, while excess return assumptions are supported by historical performance, fund mandates and investment expectations. As a result of our long-term U.S. capital market assumptions and investment objectives for pension assets, the weighted-average long-term expected rate of return on assets decreased from 6.50% during 2021 to 5.90% in 2022.

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For plans outside the U.S., consideration is given to local market expectations of long-term returns. Strategic asset allocations are determined by plan, based on the nature of liabilities and considering the demographic composition of the plan participants.

Actuarial Assumptions - Central States Pension Fund

UPS was a contributing employer to the CSPF until 2007, at which time UPS withdrew from the CSPF. Under a collective bargaining agreement with the International Brotherhood of Teamsters ("IBT"), UPS agreed to provide coordinating benefits in the UPS/IBT Full-Time Employee Pension Plan ("UPS/IBT Plan") for UPS participants whose last employer was UPS and who had not retired as of January 1, 2008 ("the UPS Transfer Group") in the event that benefits are reduced by the CSPF consistent with the terms of our withdrawal agreement with the CSPF. Under this agreement, benefits to the UPS Transfer Group cannot be reduced without our consent and can only be reduced in accordance with law.

Subsequent to our withdrawal, the CSPF incurred extensive asset losses and indicated that it was projected to become insolvent. In such event, the CSPF benefits would be reduced to the legally permitted Pension Benefit Guaranty Corporation ("PBGC") limits, triggering the coordinating benefits provision in the collective bargaining agreement.

In March 2021, the American Rescue Plan Act ("ARPA") was enacted into law. The ARPA contains provisions that allow for qualifying multiemployer pension plans to apply for special financial assistance ("SFA") from the PBGC, which will be funded by the U.S. government. Following SFA approval, a qualifying multiemployer pension plan will receive a lump sum payment to enable it to continue paying unreduced pension benefits through 2051. The multiemployer plan is not obligated to repay the SFA. The ARPA is intended to prevent both the PBGC and certain financially distressed multiemployer pension plans, including the CSPF, from becoming insolvent through 2051. The CSPF submitted an application for SFA that was approved in December 2022. In January 2023, \$35.8 billion was paid to the CSPF by the PBGC.

The passage of the ARPA triggered a remeasurement of the UPS/IBT Plan under ASC 715. Accordingly, we remeasured the plan assets and pension benefit obligation as of March 31, 2021, which resulted in an actuarial gain of \$6.4 billion, reflecting a reduction of the liability for coordinating benefits of \$5.1 billion and a gain from other updated actuarial assumptions of \$1.3 billion.

We account for the potential obligation to pay coordinating benefits under ASC 715, which requires us to provide a best estimate of various actuarial assumptions in measuring our pension benefit obligation at the December 31st measurement date. As of December 31, 2022, our best estimate of coordinating benefits that may be required to be paid by the UPS/IBT Plan after SFA funds have been exhausted was immaterial.

The value of our estimate for future coordinating benefits will continue to be influenced by a number of factors, including interpretations of the ARPA, future legislative actions, actuarial assumptions and the ability of the CSPF to sustain its long-term commitments. Actual events may result in a change in our best estimate of the projected benefit obligation. We will continue to assess the impact of these uncertainties in accordance with ASC 715.

Other Actuarial Assumptions

Healthcare cost trends are used to project future postretirement medical benefits payable from our plans. For purposes of measuring our U.S. plan obligations as of December 31, 2022, a 7.50% annual rate of increase in postretirement medical benefit costs was assumed; the rate was assumed to decrease gradually to 4.5% by 2035 and to remain at that level thereafter.

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Funded Status

The following table discloses the funded status of our plans and the amounts recognized in our consolidated balance sheets as of December 31 (in millions):

	U.S. Pension Benefits		U.S. Postretirement Medical Benefits		International Pension Benefits	
	2022	2021	2022	2021	2022	2021
Funded Status:						
Fair value of plan assets	\$ 42,058	\$ 55,954	\$ 215	\$ 115	\$ 1,643	\$ 2,106
Benefit obligation	(43,504)	(61,378)	(2,016)	(2,592)	(1,416)	(2,106)
Funded status	\$ (1,446)	\$ (5,424)	\$ (1,801)	\$ (2,477)	\$ 227	\$ —
Funded Status Recognized in our Balance Sheet:						
Other non-current assets	\$ 1,408	\$ —	\$ —	\$ —	\$ 416	\$ 295
Other current liabilities	(24)	(24)	(7)	(118)	(6)	(7)
Pension and postretirement benefit obligations	(2,830)	(5,400)	(1,794)	(2,359)	(183)	(288)
Net asset (liability)	\$ (1,446)	\$ (5,424)	\$ (1,801)	\$ (2,477)	\$ 227	\$ —
Amounts Recognized in AOCI⁽¹⁾:						
Unrecognized net prior service cost	\$ (734)	\$ (682)	\$ (3)	\$ (3)	\$ (8)	\$ (9)
Unrecognized net actuarial gain (loss)	80	(1,949)	201	(232)	115	107
Gross unrecognized cost	(654)	(2,631)	198	(235)	107	98
Deferred tax assets (liabilities)	168	642	(48)	55	(30)	(27)
Net unrecognized cost	\$ (486)	\$ (1,989)	\$ 150	\$ (180)	\$ 77	\$ 71

⁽¹⁾ Accumulated Other Comprehensive Income

The accumulated benefit obligation for our pension plans as of December 31, 2022 and 2021 was \$44.8 and \$62.7 billion, respectively. The accumulated benefit obligation for our postretirement medical benefit plans as of December 31, 2022 and 2021 was \$2.0 and \$2.6 billion, respectively.

Benefit payments under the pension plans include \$31 and \$29 million paid from employer assets for the years ended December 31, 2022 and 2021, respectively. Benefit payments (net of participant contributions) under the postretirement medical benefit plans include \$174 and \$63 million paid from employer assets for the years ended December 31, 2022 and 2021, respectively. Such benefit payments from employer assets are also categorized as employer contributions.

As of December 31, 2022 and 2021, the projected benefit obligation, the accumulated benefit obligation and the fair value of plan assets for pension plans with benefit obligations in excess of plan assets were as follows (in millions):

	Projected Benefit Obligation Exceeds the Fair Value of Plan Assets		Accumulated Benefit Obligation Exceeds the Fair Value of Plan Assets	
	2022	2021	2022	2021
U.S. Pension Benefits:				
Projected benefit obligation	\$ 24,452	\$ 61,378	\$ 24,452	\$ 61,378
Accumulated benefit obligation	24,414	60,769	24,414	60,769
Fair value of plan assets	21,598	55,954	21,598	55,954
International Pension Benefits:				
Projected benefit obligation	\$ 311	\$ 798	\$ 274	\$ 408
Accumulated benefit obligation	278	696	246	357
Fair value of plan assets	121	503	86	132

The accumulated postretirement benefit obligation presented in the funded status table exceeds plan assets for all U.S. postretirement medical benefit plans.

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Benefit Obligations and Fair Value of Plan Assets

The following tables provide a reconciliation of the changes in the plans' benefit obligations and fair value of plan assets as of the respective measurement dates in each year (in millions):

	U.S. Pension Benefits		U.S. Postretirement Medical Benefits		International Pension Benefits	
	2022	2021	2022	2021	2022	2021
Benefit Obligations:						
Projected benefit obligation at beginning of year	\$ 61,378	\$ 65,922	\$ 2,592	\$ 2,759	\$ 2,106	\$ 2,177
Service cost	2,024	1,897	30	28	68	76
Interest cost	1,950	1,948	83	81	45	38
Gross benefits paid	(2,151)	(1,906)	(268)	(278)	(45)	(46)
Plan participants' contributions	—	—	31	35	3	3
Plan amendments	145	66	—	—	—	—
Actuarial (gain)/loss	(19,842)	(6,390)	(452)	(26)	(575)	(111)
Foreign currency exchange rate changes	—	—	—	—	(150)	(32)
Curtailments and settlements	—	(159)	—	(7)	(40)	(3)
Other	—	—	—	—	4	4
Projected benefit obligation at end of year	\$ 43,504	\$ 61,378	\$ 2,016	\$ 2,592	\$ 1,416	\$ 2,106

	U.S. Pension Benefits		U.S. Postretirement Medical Benefits		International Pension Benefits	
	2022	2021	2022	2021	2022	2021
Fair Value of Plan Assets:						
Fair value of plan assets at beginning of year	\$ 55,954	\$ 52,997	\$ 115	\$ 49	\$ 2,106	\$ 1,835
Actual return on plan assets	(13,657)	4,706	(15)	(8)	(349)	230
Employer contributions	1,912	157	352	317	78	102
Plan participants' contributions	—	—	31	35	3	3
Gross benefits paid	(2,151)	(1,906)	(268)	(278)	(45)	(46)
Foreign currency exchange rate changes	—	—	—	—	(144)	(15)
Curtailments and settlements	—	—	—	—	(6)	(3)
Other	—	—	—	—	—	—
Fair value of plan assets at end of year	\$ 42,058	\$ 55,954	\$ 215	\$ 115	\$ 1,643	\$ 2,106

2022 - \$20.9 billion pre-tax actuarial gain related to benefit obligation:

- *Discount Rates* (\$21.1 billion pre-tax gain): The weighted-average discount rate for our pension and postretirement medical plans increased from 3.11% as of December 31, 2021 to 5.77% as of December 31, 2022, primarily due to an increase in U.S. treasury yields, as well as an increase in credit spreads on AA-rated corporate bonds.
- *Demographic and Assumption Changes* (\$0.2 billion pre-tax loss): This represents the difference between actual and estimated participant data and demographic factors, including healthcare cost trends, compensation changes, rates of termination, retirement, mortality and other changes.

2021 - \$6.5 billion pre-tax actuarial gain related to benefit obligation:

- *Discount Rates* (\$2.4 billion pre-tax gain): The weighted-average discount rate for our pension and postretirement medical plans increased from 2.87% as of December 31, 2020 to 3.11% as of December 31, 2021, primarily due to an increase in U.S. treasury yields, slightly offset by a decrease in credit spreads on AA-rated corporate bonds.

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- *Coordinating benefits attributable to the Central States Pension Fund* (\$5.1 billion pre-tax gain): This represents the reduction in our best estimate of potential coordinating benefits that may be required to be paid related to the CSPF before taking into account the impact of the change in discount rates.
- *Demographic and Assumption Changes* (\$1.0 billion pre-tax loss): This represents the difference between actual and estimated participant data and demographic factors, including healthcare cost trends, compensation changes, rates of termination, retirement, mortality and other changes.

Pension and Postretirement Plan Assets

Pension assets are invested in accordance with applicable laws and regulations, as well as investment guidelines established by plan trustees. The strategic asset mixes are specifically tailored for each plan given distinct factors, including liability and liquidity needs. Equities, alternative investments, and other higher-yielding assets are utilized to generate returns and promote growth. Derivatives, repurchase/reverse repurchase agreements and fixed income securities are utilized as tools for duration management, mitigating interest rate risk, and minimizing funded status volatility.

The primary long-term investment objectives for pension assets are to provide for a reasonable amount of long-term capital growth to meet future obligations while minimizing risk exposures and reducing funded status volatility. To meet these objectives, investment managers are engaged to actively manage assets within the guidelines and strategies set forth by our investment committee. Active managers are monitored regularly and their performance is compared to applicable benchmarks.

Fair Value Measurements

Plan assets valued utilizing Level 1 inputs include equity investments, corporate debt instruments and U.S. government securities. Fair values were determined by closing prices for those securities traded on national stock exchanges, while securities traded in the over-the-counter market and listed securities for which no sale was reported on the valuation date are valued at the mean between the last reported bid and ask prices.

Level 2 assets include fixed income securities that are valued based on yields currently available on comparable securities of other issues with similar credit ratings; mortgage-backed securities that are valued based on cash flow and yield models using acceptable modeling and pricing conventions; and certain investments that are pooled with other investments in a commingled fund. We value our investments in commingled funds by taking the percentage ownership of the underlying assets, each of which has a readily determinable fair value.

Fair value estimates for certain investments are based on unobservable inputs that are not corroborated by observable market data and are thus classified as Level 3.

Investments that do not have a readily determinable fair value, and which provide a net asset value ("NAV") or its equivalent developed consistent with FASB measurement principles, are valued using NAV as a practical expedient. These investments are not classified in Levels 1, 2, or 3 of the fair value hierarchy but instead included within the subtotals by asset category. Such investments include hedge funds, risk parity funds, real estate investments, private debt and private equity funds. Investments in hedge funds and risk parity funds are valued using the reported NAV as of December 31st. Real estate investments, private debt and private equity funds are valued at NAV per the most recent partnership audited financial reports, and adjusted, as appropriate, for investment activity between the date of the financial reports and December 31st. Due to the inherent limitations in obtaining a readily determinable fair value measurement for alternative investments, the fair values reported may differ from the values that would have been used had readily available market information for the alternative investments existed. These investments are described further below:

- Hedge Funds: Plan assets are invested in hedge funds that pursue multiple strategies to diversify risk and reduce volatility. Most of these hedge funds allow redemptions either quarterly or semi-annually after a two- to three-month notice period, while others allow for redemption after only a brief notification period with no restriction on redemption frequency. No unfunded commitments existed with respect to hedge funds as of December 31, 2022.

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- Risk Parity Funds: Plan assets are invested in risk parity strategies in order to provide diversification and balance risk/return objectives. These strategies reflect a multi-asset class balanced risk approach generally consisting of equity, interest rates, credit and commodities. These funds allow for monthly redemptions with only a brief notification period. No unfunded commitments existed with respect to risk parity funds as of December 31, 2022.
- Real Estate, Private Debt and Private Equity Funds: Plan assets are invested in limited partnership interests in various private equity, private debt and real estate funds. Limited provision exists for the redemption of these interests by the limited partners that invest in these funds until the end of the term of the partnerships, typically ranging between 10 and 15 years from the date of inception. An active secondary market exists for similar partnership interests, although no particular value (discount or premium) can be guaranteed. As of December 31, 2022, unfunded commitments to such limited partnerships totaling approximately \$3.3 billion are expected to be contributed over the remaining investment period, typically ranging between three and six years.

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The fair values of U.S. and international pension and postretirement benefit plan assets by asset category, including derivative assets and liabilities, as of December 31, 2022 are presented below (in millions), as well as the percentage that each category comprises of our total plan assets and the respective target allocations:

Asset Category (U.S. Plans):	Total Assets⁽¹⁾	Level 1	Level 2	Level 3	Percentage of Plan Assets	Target Allocation
Cash and cash equivalents	\$ 1,230	\$ 870	\$ 360	\$ —	2.9 %	1-7
Equity Securities:						
U.S. Large Cap	6,513	2,511	4,002	—		
U.S. Small Cap	698	698	—	—		
Emerging Markets	1,542	1,171	371	—		
Global Equity	1,168	1,168	—	—		
International Equity	3,610	1,663	1,947	—		
Total Equity Securities	13,531	7,211	6,320	—	32.0	20-45
Fixed Income Securities:						
U.S. Government Securities ⁽²⁾	7,865	14,628	(6,763)	—		
Corporate Bonds	6,145	7	6,138	—		
Global Bonds	702	—	702	—		
Municipal Bonds	6	—	6	—		
Total Fixed Income Securities	14,718	14,635	83	—	34.8	30-70
Other Investments:						
Hedge Funds	4,368	—	2,717	—	10.3	3-13
Private Equity	5,012	—	—	—	11.9	3-15
Private Debt	829	—	—	—	2.0	1-15
Real Estate	2,415	267	69	—	5.7	3-15
Structured Products ⁽³⁾	170	—	170	—	0.4	0-5
Total U.S. Plan Assets	\$ 42,273	\$ 22,983	\$ 9,719	\$ —	100.0 %	
Asset Category (International Plans):						
Cash and cash equivalents	\$ 147	\$ 70	\$ 77	\$ —	8.9 %	1-10
Equity Securities:						
Local Markets Equity	138	—	138	—		
U.S. Equity	(3)	—	(3)	—		
Emerging Markets	—	—	—	—		
International / Global Equity	298	36	262	—		
Total Equity Securities	433	36	397	—	26.4	20-50
Fixed Income Securities:						
Local Government Bonds	91	59	32	—		
Corporate Bonds	494	—	494	—		
Global Bonds	119	98	21	—		
Total Fixed Income Securities	704	157	547	—	42.8	35-55
Other Investments:						
Real Estate	95	—	48	25	5.8	1-10
Other	264	—	190	52	16.1	1-30
Total International Plan Assets	\$ 1,643	\$ 263	\$ 1,259	\$ 77	100.0 %	
Total Plan Assets	\$ 43,916	\$ 23,246	\$ 10,978	\$ 77		

⁽¹⁾ Certain investments that are measured at fair value using the NAV per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy but are included in the category totals.

⁽²⁾ Level 2 U.S. Government Securities includes repurchase and reverse repurchase agreements.

⁽³⁾ Represents mortgage and asset-backed securities.

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The fair values of U.S. and international pension and postretirement benefit plan assets by asset category, including derivative assets and liabilities, as of December 31, 2021 are presented below (in millions), as well as the percentage that each category comprises of our total plan assets and the respective target allocations:

Asset Category (U.S. Plans):	Total Assets⁽¹⁾	Level 1	Level 2	Level 3	Percentage of Plan Assets	Target Allocation
Cash and cash equivalents	\$ 2,671	\$ 2,564	\$ 107	\$ —	4.8 %	1-7
Equity Securities:						
U.S. Large Cap	12,840	8,948	3,892	—		
U.S. Small Cap	484	484	—	—		
Emerging Markets	2,077	1,483	594	—		
Global Equity	3,054	2,901	153	—		
International Equity	4,199	1,972	2,227	—		
Total Equity Securities	22,654	15,788	6,866	—	40.4	20-45
Fixed Income Securities:						
U.S. Government Securities ⁽²⁾	12,083	25,358	(13,275)	—		
Corporate Bonds	6,156	—	6,142	14		
Global Bonds	23	—	23	—		
Municipal Bonds	19	—	19	—		
Total Fixed Income Securities	18,281	25,358	(7,091)	14	32.6	30-70
Other Investments:						
Hedge Funds	4,121	—	2,303	—	7.3	5-10
Private Equity	4,822	—	—	—	8.6	1-10
Private Debt	763	—	—	—	1.4	1-10
Real Estate	2,285	313	106	—	4.1	1-10
Structured Products ⁽³⁾	177	—	177	—	0.3	1-5
Risk Parity Funds	295	—	—	—	0.5	1-10
Total U.S. Plan Assets	\$ 56,069	\$ 44,023	\$ 2,468	\$ 14	100.0 %	
Asset Category (International Plans):						
Cash and cash equivalents	\$ 184	\$ 135	\$ 49	\$ —	8.7 %	1-10
Equity Securities:						
Local Markets Equity	193	—	193	—		
U.S. Equity	53	53	—	—		
Emerging Markets	35	35	—	—		
International / Global Equity	513	195	318	—		
Total Equity Securities	794	283	511	—	37.7	20-50
Fixed Income Securities:						
Local Government Bonds	61	—	61	—		
Corporate Bonds	438	21	417	—		
Global Bonds	136	134	2	—		
Total Fixed Income Securities	635	155	480	—	30.2	30-50
Other Investments:						
Real Estate	172	—	90	24	8.2	5-10
Other	321	—	247	50	15.2	1-20
Total International Plan Assets	\$ 2,106	\$ 573	\$ 1,377	\$ 74	100.0 %	
Total Plan Assets	\$ 58,175	\$ 44,596	\$ 3,845	\$ 88		

⁽¹⁾ Certain investments that are measured at fair value using the NAV per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy but are included in the category totals.

⁽²⁾ Level 2 U.S. Government Securities includes repurchase and reverse repurchase agreements.

⁽³⁾ Represents mortgage and asset-backed securities.

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The following table presents the changes in the Level 3 instruments measured on a recurring basis for the years ended December 31, 2022 and 2021 (in millions):

	Corporate Bonds	Other	Total
Balance as of January 1, 2021	\$ 3	\$ 62	\$ 65
Actual Return on Assets:			
Assets Held at End of Year	—	5	5
Assets Sold During the Year	(16)	—	(16)
Purchases	33	10	43
Sales	(6)	(3)	(9)
Transfers Into (Out of) Level 3	—	—	—
Balance as of December 31, 2021	\$ 14	\$ 74	\$ 88
Actual Return on Assets:			
Assets Held at End of Year	—	(2)	(2)
Assets Sold During the Year	(35)	—	(35)
Purchases	482	9	491
Sales	(460)	(4)	(464)
Transfers Into (Out of) Level 3	(1)	—	(1)
Balance as of December 31, 2022	\$ —	\$ 77	\$ 77

There were no shares of UPS class A or class B common stock directly held in plan assets as of December 31, 2022 or 2021.

Expected Cash Flows

Information about expected cash flows for our pension and postretirement medical benefit plans is as follows (in millions):

	U.S. Pension Benefits	U.S. Postretirement Medical Benefits	International Pension Benefits
Expected Employer Contributions:			
2023 to plan trust	\$ 1,180	\$ 72	\$ 69
2023 to plan participants	25	46	7
Expected Benefit Payments:			
2023	\$ 2,062	\$ 223	\$ 45
2024	2,193	212	50
2025	2,328	203	56
2026	2,464	194	62
2027	2,599	186	69
2028 - 2032	14,834	797	437

Our current funding policy guideline for U.S. plans is to contribute amounts annually that are at least equal to the amounts required by applicable laws and regulations. International plans will be funded in accordance with local regulations. Additional discretionary contributions may be made when deemed appropriate to meet the long-term obligations of the plans. Expected benefit payments for pensions will be paid primarily from plan trusts. Expected benefit payments for postretirement medical benefits will be paid from plan trusts and corporate assets.

NOTE 6. MULTIEMPLOYER EMPLOYEE BENEFIT PLANS

We contribute to a number of multiemployer pension plans under the terms of collective bargaining agreements that cover our union-represented employees. These plans generally provide for retirement, death and/or termination benefits for eligible employees within the applicable collective bargaining units, based on specific eligibility and participation requirements, vesting periods and benefit formulas. The risks of participating in multiemployer plans are different from single-employer plans in the following respects:

- Assets contributed to a multiemployer plan by one employer may be used to provide benefits to employees of other participating employers.
- If we negotiate to cease participating in a multiemployer pension plan, we may be required to pay that plan an amount based on our allocable share of its underfunded status, referred to as a "withdrawal liability". However, cessation of participation in a multiemployer plan and subsequent payment of any withdrawal liability is subject to the collective bargaining process.
- If any of the multiemployer pension plans in which we participate enter critical status, and our contributions are not sufficient to satisfy any rehabilitation plan funding schedule, we could be required under the Pension Protection Act of 2006 to make additional surcharge contributions to the multiemployer pension plan in the amount of five to ten percent of the existing contributions required by our labor agreement. Such surcharges would cease upon the ratification of a new collective bargaining agreement and could not reoccur unless a plan re-entered critical status at a later date.

The discussion that follows sets forth the impact on our results of operations and cash flows for December 31, 2022, 2021 and 2020, from our participation in multiemployer pension plans. As part of the overall collective bargaining process for wage and benefit levels, we have agreed to contribute certain amounts to these plans during the contract period. The plans set benefit levels and are responsible for benefit delivery to participants. Future contributions to the plans are determined only through collective bargaining, and we have no additional legal or constructive obligation to increase contributions beyond the agreed-upon amounts (except potential surcharges under the Pension Protection Act of 2006 described above).

The number of employees covered by multiemployer pension plans remained relatively flat in 2022, having increased in 2021 due to business growth. Contributions increased in accordance with the terms of our collective bargaining agreements. There have been no other significant changes that affect the comparability of 2022, 2021 and 2020 contributions. We recognize expense for the contractually-required contributions for each period, and we recognize a liability for any contributions due and unpaid at the end of a reporting period.

Status of Collective Bargaining Agreements

We have approximately 330,000 employees in the U.S. employed under a national master agreement and various supplemental agreements with local unions affiliated with the Teamsters. These agreements run through July 31, 2023. We have begun negotiating the various supplemental agreements with the Teamsters and expect that negotiations with respect to the national master agreement will commence in April 2023. We are negotiating in good faith in an effort to reach an agreement that is in the best interests of our employees, the Teamsters and UPS; however, no assurances of our ability to do so, or the timing or terms thereof, can be provided. Customers may reduce their business or stop doing business with us if they believe that such actions or threatened actions may adversely affect our ability to provide services. We may permanently lose customers if we are unable to provide uninterrupted service, and this could materially adversely affect us. The terms of future collective bargaining agreements also may affect our competitive position and results of operations. Furthermore, our actions or responses to any such negotiations, labor disputes, strikes or work stoppages could negatively impact how our brand is perceived and our corporate reputation and have adverse effects on our business, including our results of operations.

We have approximately 10,000 employees in Canada employed under a collective bargaining agreement with the Teamsters which runs through July 31, 2025.

We have approximately 3,500 pilots who are employed under a collective bargaining agreement with the Independent Pilots Association ("IPA"). This collective bargaining agreement becomes amendable September 1, 2025.

We have approximately 1,800 airline mechanics who are covered by a collective bargaining agreement with Teamsters Local 2727 which becomes amendable November 1, 2026. In addition, approximately 3,100 of our auto and maintenance mechanics who are not employed under agreements with the Teamsters are employed under collective bargaining agreements with the International Association of Machinists and Aerospace Workers ("IAM"). The collective bargaining agreement with the IAM runs through July 31, 2024.

UNITED PARCEL SERVICE, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Multiemployer Pension Plans

The following table outlines our participation in multiemployer pension plans as of December 31, 2022, 2021 and 2020, and sets forth our calendar year contributions and accruals for each plan.

The *EIN/Pension Plan Number* column provides the Employer Identification Number ("EIN") and the three-digit plan number. The most recent Pension Protection Act zone status available in 2022 and 2021 relates to each plan's two most recent fiscal year ends. The zone status is based on information that we received from the plans' administrators and is certified by each plan's actuary. Plans certified in the red zone are generally less than 65% funded; plans certified in the orange zone are both less than 80% funded and have an accumulated funding deficiency, or are expected to have a deficiency in any of the next six plan years; plans certified in the yellow zone are less than 80% funded; and plans certified in the green zone are at least 80% funded. Certain plans have applied for special financial assistance ("SFA") from the PBGC. These plans' zone status may change if the funds are received and incorporated into the plan administrators' information.

The *FIP / RP Status Pending / Implemented* column indicates whether a financial improvement plan ("FIP") for yellow/orange zone plans, or a rehabilitation plan ("RP") for red zone plans, is either pending or has been implemented. As of December 31, 2022, all plans that have either a FIP or RP requirement have had the respective plan implemented. Our collectively-bargained contributions satisfy the requirements of all implemented FIPs and RPs and do not currently require the payment of any surcharges. In addition, minimum contributions outside of the agreed-upon contractual rates are not required.

For the plans detailed in the following table, the expiration date of the associated collective bargaining agreements is July 31, 2023, with the exception of the IAM National Pension Fund / National Pension Plan, which has a July 31, 2024 expiration date. For all plans detailed in the following table, we provided more than 5% of the total plan contributions from all employers for 2022, 2021 and 2020, as disclosed in the annual filing with the Department of Labor for each respective plan.

Certain plans have been aggregated in the *All Other Multiemployer Pension Plans* line in the following table, as contributions to each of these individual plans are not material.

UNITED PARCEL SERVICE, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Pension Fund	EIN / Pension Plan Number	Pension Protection Act Zone Status		FIP / RP Status Pending / Implemented		(in millions) UPS Contributions and Accruals			Surcharge Imposed
		2022	2021			2022	2021	2020	
Alaska Teamster-Employer Pension Plan	92-6003463-024	Red	Red	Yes	Implemented	10	9	8	No
Central Pennsylvania Teamsters Defined Benefit Plan	23-6262789-001	Green	Green	No	NA	75	65	57	No
Eastern Shore Teamsters Pension Fund	52-0904953-001	Green	Green	No	NA	10	8	7	No
Employer-Teamsters Local Nos. 175 & 505 Pension Trust Fund	55-6021850-001	Red	Red	Yes	Implemented	21	18	16	No
Hagerstown Motor Carriers and Teamsters Pension Fund	52-6045424-001	Red	Red	Yes	Implemented	13	12	11	No
I.A.M. National Pension Fund / National Pension Plan	51-6031295-002	Red	Red	Yes	Implemented	48	48	44	No
International Brotherhood of Teamsters Union Local No. 710 Pension Fund	36-2377656-001	Green	Green	No	NA	191	180	161	No
Local 705, International Brotherhood of Teamsters Pension Plan	36-6492502-001	Green	Yellow	No	NA	136	131	120	No
Local 804 I.B.T. & Local 447 I.A.M.—UPS Multiemployer Retirement Plan	51-6117726-001	Green	Green	No	NA	144	135	124	No
Milwaukee Drivers Pension Trust Fund	39-6045229-001	Green	Green	No	NA	62	58	53	No
New England Teamsters & Trucking Industry Pension Fund	04-6372430-001	Red	Red	Yes	Implemented	167	145	140	No
New York State Teamsters Conference Pension and Retirement Fund	16-6063585-074	Red	Red	Yes	Implemented	149	147	135	No
Teamster Pension Fund of Philadelphia and Vicinity	23-1511735-001	Green	Yellow	No	NA	100	94	85	No
Teamsters Joint Council No. 83 of Virginia Pension Fund	54-6097996-001	Green	Green	No	NA	98	89	82	No
Teamsters Local 639—Employers Pension Trust	53-0237142-001	Green	Green	No	NA	85	80	74	No
Teamsters Negotiated Pension Plan	43-6196083-001	Green	Green	No	NA	49	45	40	No
Truck Drivers and Helpers Local Union No. 355 Retirement Pension Plan	52-6043608-001	Green	Green	No	NA	30	29	27	No
United Parcel Service, Inc.—Local 177, I.B.T. Multiemployer Retirement Plan	13-1426500-419	Green	Yellow	No	NA	124	116	107	No
Western Conference of Teamsters Pension Plan	91-6145047-001	Green	Green	No	NA	1,310	1,260	1,138	No
Western Pennsylvania Teamsters and Employers Pension Fund	25-6029946-001	Red	Red	Yes	Implemented	46	40	37	No
All Other Multiemployer Pension Plans						73	78	89	
Total Contributions						<u>\$ 2,941</u>	<u>\$ 2,787</u>	<u>\$ 2,555</u>	

Agreement with the New England Teamsters and Trucking Industry Pension Fund

In 2012, we reached an agreement with the New England Teamsters and Trucking Industry Pension Fund ("NETTI Fund"), a multiemployer pension plan in which UPS is a participant, to restructure the pension liabilities for approximately 10,200 UPS employees represented by the Teamsters. As of December 31, 2022 and 2021, we had \$821 and \$830 million, respectively, recognized in *Other Non-Current Liabilities* and \$8 million as of December 31, 2022 and 2021, recorded in *Other current liabilities* in our consolidated balance sheets, representing the remaining balance of the NETTI Fund withdrawal liability. This liability is payable in equal monthly installments over a remaining term of approximately 40 years. Based on the borrowing rates currently available to us for long-term financing of a similar maturity, the fair value of the NETTI Fund withdrawal liability as of December 31, 2022 and 2021 was \$686 and \$963 million, respectively. We utilized Level 2 inputs in the fair value hierarchy to determine the fair value of this liability.

UNITED PARCEL SERVICE, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Multiemployer Health and Welfare Plans

We also contribute to a number of multiemployer health and welfare plans covering both active and retired employees. Healthcare benefits are provided to participants who meet certain eligibility requirements as covered under the applicable collective bargaining unit. The following table sets forth our calendar year plan contributions and accruals. Certain plans have been aggregated in the *All Other Multiemployer Health and Welfare Plans* line, as the contributions to each of these individual plans are not material.

Health and Welfare Fund	(in millions)		
	UPS Contributions and Accruals		
	2022	2021	2020
Bay Area Delivery Drivers	\$ 40	\$ 41	\$ 39
Central Pennsylvania Teamsters Health & Pension Fund	42	39	35
Central States, South East & South West Areas Health and Welfare Fund	3,497	3,374	3,202
Delta Health Systems—East Bay Drayage Drivers	39	39	37
Joint Council #83 Health & Welfare Fund	62	56	50
Local 401 Teamsters Health & Welfare Fund	22	19	15
Local 804 Welfare Trust Fund	129	123	110
Milwaukee Drivers Pension Trust Fund—Milwaukee Drivers Health and Welfare Trust Fund	62	59	53
New York State Teamsters Health & Hospital Fund	89	91	84
Northern California General Teamsters (DELTA)	211	209	188
Northern New England Benefit Trust	87	81	72
Oregon / Teamster Employers Trust	70	66	59
Teamsters 170 Health & Welfare Fund	25	24	22
Teamsters Benefit Trust	58	60	57
Teamsters Local 251 Health & Insurance Plan	26	26	23
Teamsters Local 638 Health Fund	70	66	60
Teamsters Local 639—Employers Health & Pension Trust Funds	38	40	39
Teamsters Local 671 Health Services & Insurance Plan	25	24	23
Teamsters Union 25 Health Services & Insurance Plan	75	74	69
Teamsters Western Region & Local 177 Health Care Plan	1,035	980	859
Truck Drivers and Helpers Local 355 Baltimore Area Health & Welfare Fund	23	23	22
Utah-Idaho Teamsters Security Fund	54	52	45
Washington Teamsters Welfare Trust	88	83	76
All Other Multiemployer Health and Welfare Plans	166	164	160
Total Contributions	\$ 6,033	\$ 5,813	\$ 5,399

UNITED PARCEL SERVICE, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 7. GOODWILL AND INTANGIBLE ASSETS

The following table indicates the allocation of goodwill (in millions):

	U.S. Domestic Package	International Package	Supply Chain Solutions	Consolidated
Balance as of January 1, 2021	\$ 715	\$ 422	\$ 2,230	\$ 3,367
Acquired	132	—	243	375
Currency / Other	—	(19)	(31)	(50)
Balance as of December 31, 2021	\$ 847	\$ 403	\$ 2,442	\$ 3,692
Acquired	—	105	491	596
Currency / Other	—	(16)	(49)	(65)
Balance as of December 31, 2022	\$ 847	\$ 492	\$ 2,884	\$ 4,223

2022 Goodwill Activity

The goodwill acquired during 2022 primarily relates to our acquisitions of Delivery Solutions in May 2022 and Bomi Group in November 2022. Goodwill associated with Delivery Solutions is reported in Supply Chain Solutions. Goodwill associated with Bomi Group is reported in International Package and Supply Chain Solutions. The purchase price allocation for acquired businesses may be modified for up to one year from the date of acquisition if additional facts or circumstances lead to changes in our preliminary purchase accounting estimates. See note 8 for further discussion of business acquisitions.

The remaining change in goodwill for both Supply Chain Solutions and International Package was attributable to the impact of changes in the value of the U.S. Dollar on the translation of non-U.S. Dollar goodwill balances.

2021 Goodwill Activity

The goodwill acquired in U.S. Domestic Package and Supply Chain Solutions relates to our October 2021 acquisition of Roadie. See note 8 for further discussion of business acquisitions.

The remaining change in goodwill for both Supply Chain Solutions and International Package was attributable to the impact of changes in the value of the U.S. Dollar on the translation of non-U.S. Dollar goodwill balances.

Goodwill Impairment

We complete our annual goodwill impairment evaluation as of July 1st on a reporting unit basis. Our annual impairment testing indicated that the fair value of goodwill associated with our Roadie reporting unit remained greater than its carrying value as of our July 1st testing date, although this excess was less than 10 percent. The goodwill associated with our Roadie reporting unit as of December 31, 2022 was \$241 million. We did not identify any triggering events for the periods presented that required an interim impairment test.

We did not record any goodwill impairment charges for the years ended December 31, 2022 and 2021. During 2020, we recorded a goodwill impairment charge of \$94 million in connection with designating our UPS Freight business as held for sale. Cumulatively, we have recorded \$1.1 billion of goodwill impairment charges in Supply Chain Solutions, while our International and U.S. Domestic Package segments have not recorded any goodwill impairment charges.

UNITED PARCEL SERVICE, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Intangible Assets

The following is a summary of intangible assets as of December 31, 2022 and 2021 (in millions):

	Gross Carrying Amount	Accumulated Amortization	Net Carrying Value	Weighted-Average Amortization Period (in years)
December 31, 2022				
Capitalized software	\$ 5,186	\$ (3,500)	\$ 1,686	6.9
Licenses	55	(30)	25	3.3
Franchise rights	226	(37)	189	20.0
Customer relationships	872	(453)	419	10.2
Trade name	125	(8)	117	7.2
Trademarks, patents and other	183	(27)	156	8.0
Amortizable intangible assets	\$ 6,647	\$ (4,055)	\$ 2,592	7.8
Indefinite-lived intangible assets	204	—	204	
Total Intangible Assets	\$ 6,851	\$ (4,055)	\$ 2,796	
December 31, 2021				
Capitalized software	\$ 4,910	\$ (3,275)	\$ 1,635	
Licenses	58	(27)	31	
Franchise rights	119	(37)	82	
Customer relationships	733	(408)	325	
Trade name	67	(1)	66	
Trademarks, patents and other	158	(15)	143	
Amortizable intangible assets	\$ 6,045	\$ (3,763)	\$ 2,282	
Indefinite-lived intangible assets	204	—	204	
Total Intangible Assets	\$ 6,249	\$ (3,763)	\$ 2,486	

A trade name and licenses with carrying values of \$200 and \$4 million, respectively, as of December 31, 2022 are deemed to be indefinite-lived intangible assets, and therefore are not amortized. Impairment tests for indefinite-lived intangible assets are performed annually. There were no events or changes in circumstances that would indicate the carrying amount of our indefinite-lived intangible assets may have been impaired as of December 31, 2022.

All of our other recorded intangible assets are deemed to be finite-lived intangibles, and are amortized over their estimated useful lives. Impairment tests for these intangible assets are only performed when a triggering event occurs that may indicate that the carrying value of the intangible may not be recoverable. Impairments of finite-lived intangible assets were \$17, \$19 and \$13 million in 2022, 2021, and 2020, respectively.

Amortization of intangible assets was \$525, \$475 and \$416 million in each of 2022, 2021 and 2020, respectively. Expected amortization of finite-lived intangible assets recorded as of December 31, 2022 for the next five years is as follows (in millions): 2023—\$595; 2024—\$512; 2025—\$432; 2026—\$334; 2027—\$257. Amortization expense in future periods will be affected by business acquisitions and divestitures, software development, licensing agreements, purchases of development areas or similar franchise rights and other factors.

UNITED PARCEL SERVICE, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 8. ACQUISITIONS

In May 2022, we acquired Delivery Solutions, a digital platform that optimizes customer deliveries across multiple networks and provides real-time customer tracking and notifications. In November 2022, we acquired Bomi Group to accelerate our growth in healthcare logistics by expanding our international presence and increasing our cold chain capabilities in major European and Latin American markets. Delivery Solutions and Bomi Group are both reported within Supply Chain Solutions.

During 2022, we also acquired development areas for The UPS Store, which are recorded as intangible assets within Supply Chain Solutions.

The aggregate purchase price of acquisitions in 2022 was approximately \$755 million, net of cash acquired. Acquisitions were funded using cash from operations.

The estimated fair value of assets acquired and liabilities assumed are subject to change based on completion of our purchase accounting. Certain areas, including our estimates of tax positions for Bomi Group, are preliminary as of December 31, 2022. The purchase price allocation for acquired companies can be modified for up to one year from the date of acquisition. The following table summarizes the estimated fair values of the assets acquired and liabilities assumed as of the acquisition date (in millions):

	2022
Cash and cash equivalents	\$ 29
Accounts receivable	90
Other current assets	17
Property, Plant, and Equipment	58
Operating Lease Right-Of-Use Assets	111
Goodwill	596
Intangible Assets ⁽¹⁾	385
Accounts Payable and other current liabilities	(159)
Non-Current Operating Leases	(85)
Long-Term Debt and Finance Leases	(190)
Deferred Income Tax Liabilities	(68)
Total purchase price	<u>\$ 784</u>

⁽¹⁾ Includes acquisitions of development areas for The UPS Store

Goodwill recognized of approximately \$596 million is attributable to expected synergies from future growth, including synergies to other segments. We have allocated \$105 and \$491 million of the recognized goodwill to reporting units within International Package and Supply Chain Solutions, respectively. Deductible goodwill for income tax purposes is not expected to be material.

The intangible assets acquired of approximately \$385 million primarily consist of \$176 million of customer relationships (amortized over a weighted-average of 15 years), \$113 million of franchise rights (amortized over 20 years), \$72 million of trade names (amortized over a weighted-average of 5 years), \$14 million of technology (amortized over a weighted-average of 6 years) and \$10 million in other intangibles (amortized over a weighted-average of 5 years). The carrying value of accounts receivable approximates fair value.

Acquisition-related costs in 2022 were approximately \$25 million. These were expensed as incurred and are included in *Other expenses* within the statements of consolidated income.

In October 2021, we acquired Roadie, a technology platform that provides local same-day delivery with operations throughout the United States. The Roadie technology platform is purpose-built to connect merchants and consumers with contract drivers to enable efficient and scalable same-day local delivery services for items that are not compatible with the UPS network. The acquisition was funded using cash from operations. We report Roadie within Supply Chain Solutions.

UNITED PARCEL SERVICE, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The following table summarizes the estimated fair values of the assets acquired and liabilities assumed as of the acquisition date (in millions). Subsequent measurement period adjustments during 2022 were not material.

	2021
Cash and cash equivalents	\$ 12
Accounts receivable	15
Goodwill	375
Intangible assets	231
Deferred tax liability	(47)
Total purchase price	<u>\$ 586</u>

Goodwill recognized of approximately \$375 million was attributable to expected synergies from future growth, including synergies to our U.S. Domestic Package segment. We allocated \$243 and \$132 million of the recognized goodwill to Supply Chain Solutions and U.S. Domestic Package, respectively. None of the goodwill is expected to be deductible for income tax purposes.

The intangible assets acquired of approximately \$231 million primarily consisted of \$145 million of technology (amortized over 8 years), \$67 million of trade name (amortized over 10 years), and \$19 million in other intangibles (amortized over an average of 8 years). The carrying value of accounts receivable approximated fair value.

Acquisition-related costs were not material, and were expensed as incurred and included in *Other expenses* within the statements of consolidated income.

UNITED PARCEL SERVICE, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 9. DEBT AND FINANCING ARRANGEMENTS

The carrying value of our outstanding debt obligations, as of December 31, 2022 and 2021 consists of the following (in millions)

	Principal Amount	Maturity	Carrying Value	
			2022	2021
Fixed-rate senior notes:				
2.450% senior notes	\$ —	2022	\$ —	\$ 1,010
2.350% senior notes	—	2022	—	600
2.500% senior notes	1,000	2023	999	998
2.800% senior notes	500	2024	499	498
2.200% senior notes	400	2024	399	399
3.900% senior notes	1,000	2025	997	996
2.400% senior notes	500	2026	499	498
3.050% senior notes	1,000	2027	995	994
3.400% senior notes	750	2029	747	746
2.500% senior notes	400	2029	397	397
4.450% senior notes	750	2030	744	744
6.200% senior notes	1,500	2038	1,485	1,484
5.200% senior notes	500	2040	494	494
4.875% senior notes	500	2040	491	491
3.625% senior notes	375	2042	369	368
3.400% senior notes	500	2046	492	492
3.750% senior notes	1,150	2047	1,137	1,137
4.250% senior notes	750	2049	743	743
3.400% senior notes	700	2049	688	688
5.300% senior notes	1,250	2050	1,231	1,231
Floating-rate senior notes:				
Floating-rate senior notes	—	2022	—	400
Floating-rate senior notes	500	2023	500	500
Floating-rate senior notes	1,039	2049-2067	1,027	1,027
Debentures:				
7.620% debentures	276	2030	280	280
Pound Sterling Notes:				
5.500% notes	80	2031	79	89
5.125% notes	548	2050	521	583
Euro Senior Notes:				
0.375% senior notes	746	2023	745	791
1.625% senior notes	746	2025	744	791
1.000% senior notes	533	2028	531	564
1.500% senior notes	533	2032	530	564
Canadian senior notes:				
2.125% senior notes	554	2024	553	585
Finance lease obligations (see note 11)	390	2023 – 2063	390	408
Facility notes and bonds	320	2029 – 2045	320	320
Other debt	36	2023 – 2026	36	5
Total debt	\$ 19,826		19,662	21,915
Less: current maturities			(2,341)	(2,131)
Long-term debt			\$ 17,321	\$ 19,784

UNITED PARCEL SERVICE, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Commercial Paper

We are authorized to borrow up to \$10.0 billion under a U.S. commercial paper program and €5.0 billion (in a variety of currencies) under a European commercial paper program. As of December 31, 2022 we had no outstanding balances under these commercial paper programs. The amount of commercial paper outstanding under these programs in 2023 is expected to fluctuate.

Debt Repayments

On May 15, 2022, our 2.350% senior notes with a principal balance of \$600 million and our floating-rate senior notes with a principal balance of \$400 million matured and were repaid in full. On October 1, 2022, our 2.450% senior notes with a principal balance of \$1.0 billion matured and were repaid in full. Additionally, we repaid €42 million of debt assumed in the Bomi Group acquisition during the fourth quarter of 2022.

Fixed-Rate Senior Notes

All of our fixed-rate notes pay interest semi-annually, and allow for redemption by UPS at any time by paying the greater of the principal amount or a "make-whole" amount, plus accrued interest. We subsequently entered into interest rate swaps on certain of these notes, which effectively converted the fixed interest rates on the notes to variable interest rates. The average interest rates payable on the notes where fixed interest rates were swapped to variable interest rates, including the impact of the interest rate swaps, for the years ended December 31, 2022 and 2021 were as follows:

	Principal Value	Maturity	Average Effective Interest Rate	
			2022	2021
3.125% senior notes	\$ 1,500	2021	— %	1.07 %
2.450% senior notes	1,000	2022	1.75 %	0.76 %

Both the 3.125% and 2.450% senior notes matured and have been repaid in full.

Floating-Rate Senior Notes

Our floating-rate senior notes bear interest at rates that reference the London Interbank Offer Rate ("LIBOR") for U.S. Dollars. As part of a broader program of reference rate reform, it is expected that U.S. Dollar LIBOR rates will cease to be published after June 2023.

We have floating-rate senior notes in the principal amount of \$500 million that bear interest at three-month LIBOR, plus a spread of 45 basis points. Interest is payable semi-annually. These notes are not callable and mature in 2023, prior to the expected discontinuance of U.S. Dollar LIBOR. The average interest rate for 2022 and 2021, including interest on our \$400 million floating-rate senior notes that matured on May 1, 2022, was 1.93% and 0.58%, respectively.

The remaining floating-rate senior notes, with principal amounts totaling \$1.0 billion, bear interest at either one or three-month LIBOR, less a spread ranging from 30 to 45 basis points. These notes have maturities ranging from 2049 through 2067. Interest is payable monthly for notes maturing through 2053 and quarterly for notes maturing from 2064 through 2067. These notes will be impacted by the expected discontinuance of U.S. Dollar LIBOR rates in June 2023. We are currently working to transition these notes to an alternative reference rate. We anticipate that the Secured Overnight Financing Rate ("SOFR") will be adopted in accordance with recommendations of the Alternative Reference Rates Committee.

The average interest rate on the remaining floating-rate senior notes for 2022 and 2021 was 1.44% and 0.00%, respectively. These notes are callable at various times after 30 years at a stated percentage of par value, and redeemable at the option of the note holders at various times after one year at a stated percentage of par value. We have classified these floating-rate senior notes as long-term liabilities in our consolidated balance sheets, due to our intent and ability to refinance the debt if the put option is exercised.

7.620% Debentures

The \$276 million debentures have a maturity of April 1, 2030. These debentures are redeemable in whole or in part at any time at our option. The redemption price is equal to the greater of the principal amount plus accrued interest, or the present value of remaining scheduled payments of principal and interest thereon discounted to the date of redemption at a benchmark treasury yield plus five basis points, plus accrued interest. Interest is payable semi-annually in April and October, and the debentures are not subject to sinking fund requirements.

Pound Sterling Notes

The Pound Sterling notes consist of two separate tranches, as follows:

- Notes with a principal amount of £66 million accrue interest at a fixed rate of 5.50% and are due in February 2031. Interest is payable semi-annually and these notes are not callable.
- Notes with a principal amount of £455 million accrue interest at a fixed rate of 5.125% and are due in February 2050. Interest is payable semi-annually. These notes are callable at our option at a redemption price equal to the greater of the principal amount plus accrued interest, or the present value of the remaining scheduled payments of principal and interest thereon discounted to the date of redemption at a benchmark U.K. government bond yield plus 15 basis points, plus accrued interest.

Euro Senior Notes

The Euro notes consist of three separate issuances, as follows:

- Notes with principal amounts of €700 million and €500 million accrue interest at fixed rates of 0.375% and 1.50%, respectively, and are due in November 2023 and November 2032, respectively. Interest is payable annually. The notes are callable at our option at a redemption price equal to the greater of the principal amount, or the present value of the remaining scheduled payments of principal and interest thereon discounted to the date of redemption at a benchmark comparable government bond yield plus 10 and 20 basis points, respectively, plus accrued interest.
- Notes with a principal amount of €700 million accrue interest at a fixed rate of 1.625% and are due in November 2025. Interest is payable annually. These notes are callable at our option at a redemption price equal to the greater of the principal amount, or the present value of the remaining scheduled payments of principal and interest thereon discounted to the date of redemption at a benchmark German government bond yield plus 20 basis points, plus accrued interest.
- Notes in the principal amount of €500 million accrue interest at a fixed rate of 1.00% and are due in November 2028. Interest is payable annually. These notes are callable at our option at a redemption price equal to the greater of the principal amount, or the present value of the remaining scheduled payments of principal and interest thereon discounted to the date of redemption at a benchmark comparable German government bond yield plus 15 basis points, plus accrued interest.

Canadian Dollar Senior Notes

The Canadian Dollar notes consist of a single series, as follows:

- Notes in the principal amount of C\$750 million, which bear interest at a fixed rate of 2.125% and mature in May 2024. Interest is payable semi-annually. The notes are callable at our option, in whole or in part, at the Government of Canada yield plus 21.5 basis points, and on or after the par call date at par value.

Finance Lease Obligations

We have certain property, plant and equipment subject to finance leases. For additional information on finance lease obligations, see note 11.

UNITED PARCEL SERVICE, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Facility Notes and Bonds

We have entered into agreements with certain municipalities or related entities to finance the construction of, or improvements to, facilities that support our operations in the United States. These facilities are located around airport properties in Louisville, Kentucky; Dallas, Texas and Philadelphia, Pennsylvania. Under these arrangements, we enter into a lease or loan agreement that covers the debt service obligations on the bonds issued by these entities, as follows:

- Bonds with a principal balance of \$149 million issued by the Louisville Regional Airport Authority associated with our Worldport facility in Louisville, Kentucky. The bonds are due in January 2029 and bear interest at a variable rate that is payable monthly. The average interest rates for 2022 and 2021 were 0.16% and 0.05%, respectively.
- Bonds with a principal balance of \$42 million issued by the Louisville Regional Airport Authority associated with our airfreight facility in Louisville, Kentucky. The bonds are due in November 2036 and bear interest at a variable rate that is payable monthly. The average interest rates for 2022 and 2021 were 1.08% and 0.07%, respectively.
- Bonds with a principal balance of \$29 million issued by the Dallas / Fort Worth International Airport Facility Improvement Corporation associated with our Dallas, Texas airport facilities. The bonds are due in May 2032 and bear interest at a variable rate that is payable quarterly. The variable cash flows on this obligation have been swapped to a fixed rate of 5.11%.
- Bonds with a principal balance of \$100 million issued by the Delaware County, Pennsylvania Industrial Development Authority associated with our Philadelphia, Pennsylvania airport facilities. These bonds are due September 2045 and bear interest at a variable rate that is payable monthly. The average interest rate for 2022 and 2021 was 1.03% and 0.05%, respectively.

Contractual Commitments

The following table sets forth the aggregate annual principal payments on our long-term debt and our projected aggregate annual purchase commitments (in millions):

Year	Debt Principal	Purchase Commitments ⁽¹⁾
2023	\$ 2,259	\$ 1,990
2024	1,460	1,102
2025	1,748	846
2026	515	304
2027	1,000	—
After 2027	12,454	—
Total	\$ 19,436	\$ 4,242

⁽¹⁾ Purchase commitments include estimates of future amounts yet to be recognized in our financial statements.

Purchase commitments represent contractual agreements for capital expenditures that are legally binding, including contracts for aircraft, construction of new or expanded facilities and vehicles.

Sources of Credit

Letters of Credit

As of December 31, 2022, we had outstanding letters of credit totaling approximately \$1.7 billion issued in connection with our self-insurance reserves and other routine business requirements. We also issue surety bonds as an alternative to letters of credit in certain instances and, as of December 31, 2022, we had \$1.5 billion of surety bonds written.

UNITED PARCEL SERVICE, INC. AND SUBSIDIARIES
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Revolving Credit Facilities

We maintain two credit agreements with a consortium of banks. The first of these agreements provides revolving credit facilities of \$1.0 billion and expires on December 5, 2023. Amounts outstanding under this agreement bear interest at a periodic fixed rate equal to the term SOFR rate, plus 0.10% per annum and an applicable margin based on our then-current credit rating. The applicable margin from the credit pricing grid as of December 31, 2022 was 0.70%. Alternatively, a fluctuating rate of interest equal to the highest of (1) the rate of interest last quoted by The Wall Street Journal as the prime rate in the United States; (2) the Federal Funds effective rate plus 0.50%; or (3) the Adjusted Term SOFR Rate for a one month interest period plus 1.00%, may be used at our discretion.

The second agreement provides revolving credit facilities of \$2.0 billion and expires on December 7, 2026. Amounts outstanding under this facility bear interest at a periodic fixed rate equal to the term SOFR rate plus 0.10% per annum and an applicable margin based on our then-current credit rating. The applicable margin from the credit pricing grid as of December 31, 2022 was 0.875%. Alternatively, a fluctuating rate of interest equal to the highest of (1) the rate of interest last quoted by The Wall Street Journal as the prime rate in the United States; (2) the Federal Funds effective rate plus 0.50%; and (3) the Adjusted Term SOFR Rate for a one-month interest period plus 1.00%, plus an applicable margin, may be used at our discretion.

If the credit ratings established by Standard & Poor's and Moody's differ, the higher rating will be used, except in cases where the lower rating is two or more levels lower. In these circumstances, the rating one step below the higher rating will be used. We are also able to request advances under these facilities based on competitive bids for the applicable interest rate. There were no amounts outstanding under our revolving credit facilities as of December 31, 2022.

Debt Covenants

Our existing debt instruments and credit facilities subject us to certain financial covenants. As of December 31, 2022 and for all prior periods presented, we have satisfied these financial covenants. These covenants limit the amount of secured indebtedness that we may incur, and limit the amount of attributable debt in sale-leaseback transactions, to 10% of net tangible assets. As of December 31, 2022, 10% of net tangible assets is equivalent to \$4.6 billion; however, we have no covered sale-leaseback transactions or secured indebtedness outstanding. We do not expect these covenants to have a material impact on our financial condition or liquidity.

Fair Value of Debt

Based on the borrowing rates currently available to us for long-term debt with similar terms and maturities, the fair value of long-term debt, including current maturities, was approximately \$18.2 billion and \$25.1 billion as of December 31, 2022 and 2021, respectively. We utilized Level 2 inputs in the fair value hierarchy of valuation techniques to determine the fair value of all of our debt instruments.

NOTE 10. LEGAL PROCEEDINGS AND CONTINGENCIES

We are involved in a number of judicial proceedings and other matters arising from the conduct of our business.

Although there can be no assurances as to the ultimate outcome, we have generally denied, or believe we have meritorious defenses and will deny, liability in all pending matters, including (except as otherwise noted herein) the matters described below, and we intend to vigorously defend each matter. We accrue amounts associated with legal proceedings when and to the extent a loss becomes probable and can be reasonably estimated. The actual costs of resolving legal proceedings may be substantially higher or lower than the amounts accrued on those claims.

For matters as to which we are not able to estimate a possible loss or range of losses, we are not able to determine whether any such loss will have a material impact on our operations or financial condition. For these matters, we have described the reasons that we are unable to estimate a possible loss or range of losses.

Judicial Proceedings

We are a defendant in a number of lawsuits filed in state and federal courts containing various class action allegations under state wage-and-hour laws. At this time, we do not believe that any loss associated with any such matter will have a material impact on our operations or financial condition. One of these matters, Hughes v. UPS Supply Chain Solutions, Inc. and United Parcel Service, Inc. had previously been certified as a class action in Kentucky state court. In the second quarter of 2019, the court granted our motion for judgment on the pleadings related to the wage-and-hour claims. The plaintiffs' appeal of this decision was denied; however, in the second quarter of 2022 the plaintiffs were granted discretionary review of these claims by the Kentucky Supreme Court.

Other Matters

In August 2016, Spain's National Markets and Competition Commission ("CNMC") announced an investigation into 10 companies in the commercial delivery and parcel industry, including UPS, related to alleged nonaggression agreements to allocate customers. In May 2017, we received a Statement of Objections issued by the CNMC. In July 2017, we received a Proposed Decision from the CNMC. In March 2018, the CNMC adopted a final decision, finding an infringement and imposing an immaterial fine on UPS. We appealed the decision. In December 2022, the appeal was dismissed, although we intend to appeal this judgment before the Spanish Supreme Court. We do not believe that any loss from this matter would have a material impact on our operations or financial condition. We are vigorously defending ourselves and believe that we have a number of meritorious legal defenses. There are also unresolved questions of law and fact that could be important to the ultimate resolution of this matter.

We are a party in various other matters that arose in the normal course of business. We do not believe that the eventual resolution of these other matters (either individually or in the aggregate), including any reasonably possible losses in excess of current accruals, will have a material impact on our operations or financial condition.

UNITED PARCEL SERVICE, INC. AND SUBSIDIARIES
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NOTE 11. LEASES

We have finance and operating leases for real estate (primarily package centers, airport facilities and warehouses), aircraft and engines, information technology equipment, vehicles and various other equipment used in operating our business. Certain leases for real estate and aircraft contain options to purchase, extend or terminate the lease.

Aircraft

In addition to the aircraft that we own, we charter aircraft to handle package and cargo volume on certain international trade lanes and domestic routes. Due to the nature of these agreements, primarily being that either party can cancel the agreement with short notice, we have classified these as short-term leases. A majority of our long-term aircraft operating leases are operated by a third party to handle package and cargo volume in geographic regions where, due to government regulations, we are restricted from operating an airline.

Transportation equipment and other equipment

We enter into both long-term and short-term leases for transportation equipment to supplement our capacity or meet contractual demands. Some of these assets are leased on a month-to-month basis and the leases can be terminated without penalty. We also enter into equipment leases to increase capacity during periods of high demand. These leases are treated as short-term as the cumulative right of use is less than 12 months over the term of the contract.

Some of our transportation and technology equipment leases require us to make additional lease payments based on the underlying usage of the assets. Due to the variable nature of these costs, these are expensed as incurred and are not included in the right of use lease asset and associated lease obligation.

The components of lease expense for the years ended December 31, 2022, 2021 and 2020 were as follows (in millions):

	2022	2021	2020
Operating lease costs	\$ 736	\$ 729	\$ 711
Finance lease costs:			
Amortization of assets	\$ 112	\$ 97	\$ 79
Interest on lease liabilities	14	14	18
Total finance lease costs	126	111	97
Variable lease costs	270	246	247
Short-term lease costs	1,499	1,510	1,299
Total lease costs	<u>\$ 2,631</u>	<u>\$ 2,596</u>	<u>\$ 2,354</u>

In addition to the lease costs disclosed in the table above, we monitor all lease categories for any indicators that the carrying value of the assets may not be recoverable. We recognized impairment charges of \$17 million for the year ended December 31, 2020. There were no material impairments recognized for the years ended December 31, 2022 or 2021.

UNITED PARCEL SERVICE, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Supplemental information related to leases and location within our consolidated balance sheets as of December 31, 2022 and 2021 are as follows (in millions, except lease term and discount rate):

	2022	2021
Operating Leases:		
Operating lease right-of-use assets	\$ 3,755	\$ 3,562
Current maturities of operating leases	\$ 621	\$ 580
Non-current operating leases	3,238	3,033
Total operating lease obligations	<u>\$ 3,859</u>	<u>\$ 3,613</u>
Finance Leases:		
Property, plant and equipment, net	\$ 959	\$ 1,125
Current maturities of long-term debt, commercial paper and finance leases	\$ 92	\$ 129
Long-term debt and finance leases	298	279
Total finance lease obligations	<u>\$ 390</u>	<u>\$ 408</u>
Weighted average remaining lease term (in years):		
Operating leases	10.8	11.7
Finance leases	8.4	8.0
Weighted average discount rate:		
Operating leases	2.32 %	1.94 %
Finance leases	3.17 %	2.79 %

Supplemental cash flow information related to leases for the years ended December 31, 2022 and 2021 is as follows (in millions):

	2022	2021
Cash paid for amounts included in measurement of obligations:		
Operating cash flows from operating leases	\$ 705	\$ 731
Operating cash flows from finance leases	14	4
Financing cash flows from finance leases	149	208
Right-of-use assets obtained in exchange for lease obligations:		
Operating leases	\$ 879	\$ 1,247
Finance leases	\$ 122	\$ 280

UNITED PARCEL SERVICE, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Future payments for lease obligations as of December 31, 2022 are as follows (in millions):

	Finance Leases	Operating Leases
2023	\$ 105	\$ 703
2024	56	631
2025	42	565
2026	35	497
2027	34	429
Thereafter	193	1,608
Total lease payments	465	4,433
Less: Imputed interest	(75)	(574)
Total lease obligations	390	3,859
Less: Current obligations	(92)	(621)
Long-term lease obligations	\$ 298	\$ 3,238

As of December 31, 2022, we have additional leases which have not commenced of \$1.2 billion. These leases will commence between 2023 and 2024 when we are granted access to the property, such as when leasehold improvements are completed by the lessor or a certificate of occupancy is obtained.

UNITED PARCEL SERVICE, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 12. SHAREOWNERS' EQUITY

Capital Stock, Additional Paid-In Capital, Retained Earnings and Non-Controlling Minority Interests

We are authorized to issue two classes of common stock, which are distinguished from each other primarily by their respective voting rights. Class A shares of UPS are entitled to 10 votes per share, whereas class B shares are entitled to one vote per share. Class A shares are primarily held by UPS employees and retirees, as well as trusts and descendants of the Company's founders, and these shares are fully convertible into class B shares at any time. Class B shares are publicly traded on the New York Stock Exchange ("NYSE") under the symbol "UPS". Class A and B shares both have a \$0.01 par value, and as of December 31, 2022, there were 4.6 billion class A shares and 5.6 billion class B shares authorized to be issued. Additionally, there are 200 million preferred shares authorized to be issued, with a par value of \$0.01 per share. As of December 31, 2022, no preferred shares had been issued.

The following is a rollforward of our common stock, additional paid-in capital, retained earnings and non-controlling minority interests accounts for the years ended December 31, 2022, 2021 and 2020 (in millions, except per share amounts):

	2022		2021		2020	
	Shares	Dollars	Shares	Dollars	Shares	Dollars
Class A Common Stock:						
Balance at beginning of year	138	\$ 2	147	\$ 2	156	\$ 2
Stock award plans	5	—	6	—	6	—
Common stock issuances	3	—	2	—	4	—
Conversions of class A to class B common stock	(12)	—	(17)	—	(19)	—
Class A shares issued at end of year	<u>134</u>	<u>\$ 2</u>	<u>138</u>	<u>\$ 2</u>	<u>147</u>	<u>\$ 2</u>
Class B Common Stock:						
Balance at beginning of year	732	\$ 7	718	\$ 7	701	\$ 7
Common stock purchases	(19)	—	(3)	—	(2)	—
Conversions of class A to class B common stock	12	—	17	—	19	—
Class B shares issued at end of year	<u>725</u>	<u>\$ 7</u>	<u>732</u>	<u>\$ 7</u>	<u>718</u>	<u>\$ 7</u>
Additional Paid-In Capital:						
Balance at beginning of year		\$ 1,343		\$ 865		\$ 150
Stock award plans		624		574		498
Common stock purchases		(2,462)		(500)		(217)
Common stock issuances		495		404		434
Balance at end of year		<u>\$ —</u>		<u>\$ 1,343</u>		<u>\$ 865</u>
Retained Earnings:						
Balance at beginning of year		\$ 16,179		\$ 6,896		\$ 9,105
Net income attributable to controlling interests		11,548		12,890		1,343
Dividends (\$6.08, \$4.08, and \$4.04 per share) ⁽¹⁾		(5,363)		(3,604)		(3,552)
Common stock purchases		(1,038)		—		—
Other		—		(3)		—
Balance at end of year		<u>\$ 21,326</u>		<u>\$ 16,179</u>		<u>\$ 6,896</u>
Non-Controlling Interests:						
Balance at beginning of year		\$ 16		\$ 12		\$ 16
Change in non-controlling interests		1		4		(4)
Balance at end of year		<u>\$ 17</u>		<u>\$ 16</u>		<u>\$ 12</u>

⁽¹⁾ The dividend per share amount is the same for both class A and class B common stock. Dividends include \$249, \$167 and \$178 million for 2022, 2021 and 2020, respectively, that were settled in shares of class A common stock.

UNITED PARCEL SERVICE, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

In May 2016, the Board of Directors approved a share repurchase authorization of \$8.0 billion of class A and class B common stock. For the year ended December 31, 2020, we repurchased a total of 2.1 million shares of class A and class B common stock for \$217 million under this program (\$224 million is reported on the statements of consolidated cash flows due to the timing of settlements). We did not repurchase any shares under this program during 2021.

In August 2021, the Board of Directors terminated this authorization and approved a new share repurchase authorization (the "2021 Authorization") of \$5.0 billion for class A and class B common stock. We repurchased 19.0 and 2.6 million shares of class B common stock for \$3.5 billion and \$500 million under this authorization during the years ended December 31, 2022 and 2021, respectively. As of December 31, 2022, we had \$1.0 billion of this share repurchase authorization available.

In January 2023, the Board of Directors terminated the 2021 Authorization and approved a new share repurchase authorization of \$5.0 billion for class A and class B common stock.

Future share repurchases may be in the form of accelerated share repurchase programs, open market purchases or other methods we deem appropriate. The timing of share repurchases will depend upon market conditions. Unless terminated earlier by the Board of Directors, this program will expire when we have purchased all shares authorized for repurchase under the program.

Movements in additional paid-in capital in respect of stock award plans comprise accruals for unvested awards, offset by adjustments for awards that vest during the period.

Accumulated Other Comprehensive Income (Loss)

We recognize activity in other comprehensive income for foreign currency translation adjustments, unrealized holding gains and losses on available-for-sale securities, unrealized gains and losses from derivatives that qualify as hedges of cash flows and unrecognized pension and postretirement benefit costs. The activity in accumulated other comprehensive income for the years ended December 31, 2022, 2021 and 2020 is as follows (in millions):

	2022	2021	2020
Foreign Currency Translation Gain (Loss), Net of Tax:			
Balance at beginning of year	\$ (1,162)	\$ (981)	\$ (1,078)
Translation adjustment (net of tax effect of \$(17), \$42 and \$(36))	(315)	(181)	97
Reclassification to earnings (net of tax effect of \$2, \$0 and \$0)	31	—	—
Balance at end of year	<u>\$ (1,446)</u>	<u>\$ (1,162)</u>	<u>\$ (981)</u>
Unrealized Gain (Loss) on Marketable Securities, Net of Tax:			
Balance at beginning of year	\$ (1)	\$ 6	\$ 4
Current period changes in fair value (net of tax effect of \$(3), \$0 and \$1)	(12)	(2)	6
Reclassification to earnings (net of tax effect of \$1, \$0 and \$(1))	2	(5)	(4)
Balance at end of year	<u>\$ (11)</u>	<u>\$ (1)</u>	<u>\$ 6</u>
Unrealized Gain (Loss) on Cash Flow Hedges, Net of Tax:			
Balance at beginning of year	\$ (17)	\$ (223)	\$ 112
Current period changes in fair value (net of tax effect of \$128, \$82 and \$(61))	407	261	(192)
Reclassification to earnings (net of tax effect of \$(70), \$(17) and \$(45))	(223)	(55)	(143)
Balance at end of year	<u>\$ 167</u>	<u>\$ (17)</u>	<u>\$ (223)</u>
Unrecognized Pension and Postretirement Benefit Costs, Net of Tax:			
Balance at beginning of year	\$ (2,098)	\$ (5,915)	\$ (5,035)
Net actuarial gain (loss) and prior service cost resulting from remeasurements of plan assets and liabilities (net of tax effect of \$810, \$1,956 and \$(1,885))	2,576	6,195	(5,984)
Reclassification to earnings (net of tax effect of \$(230), \$(749) and \$1,607)	(737)	(2,378)	5,104
Balance at end of year	<u>\$ (259)</u>	<u>\$ (2,098)</u>	<u>\$ (5,915)</u>
Accumulated other comprehensive income (loss) at end of year	<u>\$ (1,549)</u>	<u>\$ (3,278)</u>	<u>\$ (7,113)</u>

UNITED PARCEL SERVICE, INC. AND SUBSIDIARIES
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Detail of the gains (losses) reclassified from AOCI to the statements of consolidated income for the years ended December 31, 2022, 2021 and 2020 is as follows (in millions):

	<u>Amount Reclassified from AOCI</u>			Affected Line Item in the Income Statement
	<u>2022</u>	<u>2021</u>	<u>2020</u>	
Unrealized Gain (Loss) on Foreign Currency Translation:				
Realized gain (loss) on business wind-down	(33)	—	—	Other expenses
Income tax (expense) benefit	2	—	—	Income tax expense
Impact on net income	<u>(31)</u>	<u>—</u>	<u>—</u>	Net income
Unrealized Gain (Loss) on Marketable Securities:				
Realized gain (loss) on sale of securities	(3)	5	5	Investment income (expense) and other
Income tax (expense) benefit	1	—	(1)	Income tax expense
Impact on net income	<u>(2)</u>	<u>5</u>	<u>4</u>	Net income
Unrealized Gain (Loss) on Cash Flow Hedges:				
Interest rate contracts	(10)	(11)	(8)	Interest expense
Foreign currency exchange contracts	304	83	196	Revenue
Foreign currency exchange contracts	(1)	—	—	Investment income (expense) and other
Income tax (expense) benefit	(70)	(17)	(45)	Income tax expense
Impact on net income	<u>223</u>	<u>55</u>	<u>143</u>	Net income
Unrecognized Pension and Postretirement Benefit Costs:				
Prior service costs	(94)	(148)	(227)	Investment income (expense) and other
Prior service credit for divested business	—	69	—	Other expenses
Plan amendments for divested business	—	(66)	—	Other expenses
Remeasurement of benefit obligation	1,027	3,272	(6,484)	Investment income (expense) and other
Curtailement of benefit obligation	34	—	—	Investment income (expense) and other
Income tax (expense) benefit	(230)	(749)	1,607	Income tax expense
Impact on net income	<u>737</u>	<u>2,378</u>	<u>(5,104)</u>	Net income
Total amount reclassified for the year	<u>\$ 927</u>	<u>\$ 2,438</u>	<u>\$ (4,957)</u>	Net income

Deferred Compensation Obligations and Treasury Stock

We maintain a deferred compensation plan whereby certain employees were previously able to elect to defer the gains on stock option exercises by deferring the shares received upon exercise into a rabbi trust. The shares held in this trust are classified as treasury stock, and the liability to participating employees is classified as *Deferred compensation obligations* in the *Shareowners' Equity* section of the consolidated balance sheets. The number of shares needed to settle the liability for deferred compensation obligations is included in the denominator in both the basic and diluted earnings per share calculations. Employees are generally no longer able to defer the gains from stock options exercised subsequent to December 31, 2004.

UNITED PARCEL SERVICE, INC. AND SUBSIDIARIES
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Activity in the deferred compensation program for the years ended December 31, 2022, 2021 and 2020 was as follows (in millions):

	2022		2021		2020	
	Shares	Dollars	Shares	Dollars	Shares	Dollars
Deferred Compensation Obligations:						
Balance at beginning of year		\$ 16		\$ 20		\$ 26
Reinvested dividends		2		1		1
Benefit payments		(5)		(5)		(7)
Balance at end of year		<u>\$ 13</u>		<u>\$ 16</u>		<u>\$ 20</u>
Treasury Stock:						
Balance at beginning of year	—	\$ (16)	—	\$ (20)	—	\$ (26)
Reinvested dividends	—	(2)	—	(1)	—	(1)
Benefit payments	—	5	—	5	—	7
Balance at end of year	—	<u>\$ (13)</u>	—	<u>\$ (16)</u>	—	<u>\$ (20)</u>

NOTE 13. STOCK-BASED COMPENSATION

Our various incentive compensation plans permit the grant of non-qualified and incentive stock options, stock appreciation rights, restricted stock and stock units ("RSUs"), and restricted performance shares and performance units ("RPsUs", collectively with RSUs, "Restricted Units"). On May 13, 2021, our shareholders approved our 2021 Omnibus Incentive Compensation Plan under which we are authorized to issue awards underlying 25 million shares. Each award issued in the form of Restricted Units, stock options and other permitted awards reduces the share reserve by one share. We had 14 million shares available to be issued under the UPS Incentive Compensation Plan as of December 31, 2022.

Our primary equity compensation programs are the UPS Management Incentive Award program (the "MIP"), the UPS Long-Term Incentive Performance Award program (the "LTIP") and the UPS Stock Option program. Our matching contributions to our primary employee defined contribution savings plan were also made in shares of UPS class A common stock through 2022. Beginning in 2023, these matching contributions will be made in cash. The total expense recognized in our statements of consolidated income under all stock compensation programs during 2022, 2021 and 2020 was \$1,568, \$878 and \$796 million, respectively. The associated income tax benefit recognized in our statements of consolidated income during 2022, 2021 and 2020 was \$451, \$301 and \$210 million, respectively. The cash income tax benefit received from the exercise of stock options and conversion of Restricted Units to class A shares during 2022, 2021 and 2020 was \$352, \$278 and \$272 million, respectively.

Management Incentive Award Program ("MIP")

Non-executive management eligibility for MIP awards is determined annually by the executive officers of UPS. Awards granted to executive officers are determined annually by the Compensation and Human Capital Committee of the UPS Board of Directors (the "Compensation Committee"). For awards earned through 2022, our MIP provided, with certain exceptions, that one-half to two-thirds of the annual award would be made in RPsUs, depending upon the level of management. The remaining one-third to one-half of the award was electable in the form of cash or unrestricted shares of class A common stock, and was fully vested at the time of grant. Upon conversion, RPsUs resulted in the issuance of an equivalent number of UPS class A shares after required tax withholdings. On November 2, 2022, the Compensation Committee amended and restated the terms and conditions of the MIP effective January 1, 2023, such that awards earned will be fully electable in the form of cash or unrestricted shares of class A common stock.

Beginning with the MIP granted in 2019, RPsUs vest one year following the grant date based on continued employment with the Company (except in the case of death, disability or retirement, in which case immediate vesting occurs). The grant value is expensed on a straight-line basis (less estimated forfeitures) over the requisite service period (except in the case of death, disability or retirement, in which case immediate expensing occurs). RPsUs granted under the MIP prior to 2019 vest over a five-year period with approximately 20% of the award vesting and converting to class A shares at the anniversary of each grant date. As of December 31, 2020, outstanding RPsUs granted to non-executive management prior to 2019 became fully vested. The elimination of the future service requirement for these awards resulted in the recognition of an additional \$133 million of stock compensation expense in 2020. Conversion to class A shares continues to occur over the remaining five-year period with the final conversion occurring in the first quarter of 2023.

On November 2, 2022, the Compensation Committee amended and restated the terms and conditions governing the 2022 MIP to fully vest RPsUs to be issued in connection therewith as of December 31, 2022. The elimination of a future service requirement for this award resulted in the recognition of an additional \$505 million of stock compensation expense in 2022, of which approximately \$431 million was recorded in U.S. Domestic Package. Conversion to class A shares will occur one year from the grant date. As of December 31, 2022, this award was classified as a compensation obligation and recorded in *Accrued wages and withholdings* on the consolidated balance sheet.

All RPsUs granted are subject to early cancellation or vesting under certain conditions. Dividends earned on RPsUs are reinvested in additional RPsUs at each dividend payable date until they have fully vested.

UNITED PARCEL SERVICE, INC. AND SUBSIDIARIES
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As of December 31, 2022, we had the following outstanding, non-vested Restricted Units granted under the MIP:

	Restricted Units (in thousands)	Weighted-Average Grant Date Fair Value
Non-vested as of January 1, 2022	3,467	\$ 163.32
Vested	(3,613)	166.65
Granted	3,254	223.72
Reinvested Dividends	140	N/A
Forfeited / Expired	(142)	199.66
Non-vested as of December 31, 2022	3,106	\$ 221.97

The fair value of each Restricted Unit is the NYSE closing price of class B common stock on the date of grant. The weighted-average grant date fair value of Restricted Units granted during 2022, 2021 and 2020 was \$223.72, \$165.27 and \$102.54, respectively. The total fair value of RPU's vested was \$923, \$716 and \$827 million in 2022, 2021 and 2020, respectively. As of December 31, 2022, there was \$93 million of total unrecognized compensation cost related to non-vested RPU's. That cost is expected to be recognized over a weighted-average period of three months.

Long-Term Incentive Performance Award Program ("LTIP")

RPU's issued under the LTIP vest at the end of a three-year performance period, assuming continued employment with the Company (except in the case of death, disability or retirement, in which case immediate vesting occurs on a prorated basis). The number of RPU's earned is based on achievement of the performance targets established on the grant date.

For LTIP awards with a performance period ended December 31, 2021, the performance targets were equally weighted among consolidated operating return on invested capital ("ROIC"), growth in currency-constant consolidated revenue and total shareholder return ("RTSR") relative to a peer group of companies. For the two-thirds of the award related to ROIC and growth in currency-constant consolidated revenue, we recognized the grant date fair value of these RPU's (less estimated forfeitures) as compensation expense ratably over the vesting period, based on the number of awards expected to be earned. The remaining one-third of the award was valued using a Monte Carlo model. We recognized the grant date fair value of this portion of the award (less estimated forfeitures) as compensation expense ratably over the vesting period.

For LTIP awards with a performance period ending in 2022 or later, the performance targets are equally weighted between adjusted earnings per share and adjusted cumulative free cash flow. The final number of RPU's earned will then be subject to adjustment based on RTSR relative to the Standard & Poor's 500 Index. We determine the grant date fair value of the RPU's using a Monte Carlo model and recognize compensation expense (less estimated forfeitures) ratably over the vesting period, based on the number of awards expected to be earned.

For the 2020 LTIP award, the performance period was divided into two measurement periods. The first measurement period evaluated the achievement of the performance targets for 2020. The second measurement period evaluated the achievement of the performance targets for 2021 and 2022.

The weighted-average assumptions used in our Monte Carlo models for each award year were as follows:

	2022	2021	2020
Risk-free interest rate	2.35 %	0.19 %	0.15 %
Expected volatility	31.92 %	30.70 %	27.53 %
Weighted-average fair value of units granted	\$ 227.00	\$ 168.05	\$ 92.77
Share payout	107.37 %	102.39 %	101.00 %

There is no expected dividend yield as units earn dividend equivalents.

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As of December 31, 2022, we had the following outstanding, non-vested RPU's granted under our LTIP program:

	RPU's (in thousands)		Weighted-Average Grant Date Fair Value
Non-vested as of January 1, 2022	1,636	\$	159.34
Vested	(973)		153.13
Granted	613		227.00
Reinvested Dividends	68		N/A
Forfeited / Expired	(101)		174.70
Non-vested as of December 31, 2022	1,243	\$	197.17

The fair value of each RPU is the NYSE closing price of class B common stock on the date of grant. The weighted-average grant date fair value of RPU's granted during 2022, 2021 and 2020 was \$227.00, \$168.10 and \$92.76, respectively. The total fair value of RPU's vested was \$239, \$160 and \$112 million in 2022, 2021 and 2020, respectively. As of December 31, 2022, there was \$139 million of total unrecognized compensation cost related to non-vested RPU's. That cost is expected to be recognized over a weighted-average period of one year and nine months.

Non-qualified Stock Options

We maintain stock option plans under which options are granted to purchase shares of UPS class A common stock. Stock options granted in connection with the UPS Incentive Compensation Plan must have an exercise price at least equal to the NYSE closing price of UPS class B common stock on the date the option is granted.

We grant non-qualified stock options to a limited group of eligible senior management employees annually, in which the value granted is determined as a percentage of salary. Stock option awards vest over a five-year period with approximately 20% of the award vesting at each anniversary of the grant date (except in the case of death, disability or retirement, in which case immediate vesting occurs). The option grants expire 10 years after the date of the grant. Option holders may exercise their options via the payment of cash or class A common stock and new class A shares are issued upon exercise.

The following is an analysis of options to purchase shares of class A common stock issued and outstanding:

	Options (in thousands)	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value (in millions)
Outstanding at January 1, 2022	1,599	\$	112.18	
Exercised	(192)		98.45	
Granted	109		214.58	
Forfeited / Expired	(50)		N/A	
Outstanding as of December 31, 2022	1,466	\$	120.51	5.96
Options Vested and Expected to Vest	1,466	\$	120.51	5.96
Exercisable as of December 31, 2022	1,047	\$	108.81	5.19

The fair value of each option grant is estimated using the Black-Scholes option pricing model. The weighted-average assumptions used by year, and the calculated weighted-average fair values of options, are as follows:

	2022	2021	2020
Expected dividend yield	2.35 %	3.31 %	3.51 %
Risk-free interest rate	2.39 %	0.84 %	1.26 %
Expected life in years	7.5	7.5	7.5
Expected volatility	25.04 %	23.15 %	19.25 %
Weighted-average fair value of options granted	\$ 48.45	\$ 23.71	\$ 11.74

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The expected dividend yield is based on the recent historical dividend yields for our stock, taking into account changes in dividend policy. The risk-free interest rate is based on the term structure of interest rates at the time of the option grant. The expected life represents an estimate of the period of time options are expected to remain outstanding. In determining this, we have relied upon a combination of the observed exercise behavior of our prior grants with similar characteristics and the contractual term of the grants. Expected volatilities are based on the historical returns on our stock and the implied volatility of our publicly-traded options.

We received cash of \$14, \$16 and \$28 million during 2022, 2021 and 2020, respectively, from option holders resulting from the exercise of stock options. The total intrinsic value of options exercised during 2022, 2021 and 2020 was \$20, \$16 and \$17 million, respectively. As of December 31, 2022, there was \$4 million of total unrecognized compensation cost related to non-vested options. That cost is expected to be recognized over a weighted-average period of three years and five months.

Discounted Employee Stock Purchase Plan

We maintain an employee stock purchase plan for all eligible employees. Under this plan, shares of UPS class A common stock may be purchased at quarterly intervals at 95% of the NYSE closing price of UPS class B common stock on the last day of each quarterly period. Employees purchased 0.6, 0.6 and 0.9 million shares at average prices of \$180.80, \$172.07 and \$110.92 per share, during 2022, 2021 and 2020, respectively. This plan is not considered to be compensatory, and therefore no compensation cost is measured for the employees' purchase rights.

NOTE 14. SEGMENT AND GEOGRAPHIC INFORMATION

We have two reportable segments: U.S. Domestic Package and International Package, which are together referred to as our global small package operations. Our remaining businesses are reported as Supply Chain Solutions. Global small package operations represent our most significant business and are broken down into regional operations around the world. Regional operations managers are responsible for both domestic and export products within their geographic area. Supply Chain Solutions comprises the results of non-reportable operating segments that do not meet the quantitative and qualitative criteria of a reportable segment as defined under ASC Topic 280 – Segment Reporting.

U.S. Domestic Package

U.S. Domestic Package operations include the time-definite delivery of letters, documents and packages throughout the United States.

International Package

International Package operations include delivery to more than 220 countries and territories worldwide, including shipments wholly outside the United States, as well as shipments with either origin or destination outside the United States. Our International Package reporting segment includes our operations in Europe, Asia, the Indian sub-continent, the Middle East, Africa, Canada and Latin America.

Supply Chain Solutions

Supply Chain Solutions includes our Forwarding, Logistics, Coyote, Marken, UPS Mail Innovations and other businesses. Our Forwarding, Logistics and UPS Mail Innovations businesses provide services in more than 200 countries and territories worldwide and include international air and ocean freight forwarding, customs brokerage, distribution and post-sales services, mail and consulting services. Coyote offers truckload brokerage services, primarily in the United States. Marken and Bomi Group provide supply chain solutions to the healthcare and life sciences industry. Other businesses within this segment include The UPS Store, UPS Capital, Roadie, and Delivery Solutions.

In evaluating financial performance, we focus on operating profit as a segment's measure of profit or loss. Operating profit is before investment income (expense) and other, interest expense and income tax expense. Certain expenses are allocated between the segments using activity-based costing methods. These activity-based costing methods require us to make estimates that impact the amount of each expense category that is attributed to each segment. Changes in these estimates directly impact the amount of expense allocated to each segment, and therefore the operating profit of each reporting segment. Our allocation methodologies are refined periodically, as necessary, to reflect changes in our businesses. In 2021, we updated our cost allocation methodology for aircraft engine maintenance expense to better align with aircraft utilization by segment, resulting in an immaterial reallocation of expense from our U.S. Domestic Package segment to our International Package segment.

As we operate an integrated, global multimodal network, we evaluate many of our capital expenditure decisions at a network level. Accordingly, expenditures on property, plant and equipment by segment are not presented. Unallocated assets are comprised primarily of cash and marketable securities.

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Segment information for the years ended December 31, 2022, 2021 and 2020 is as follows (in millions):

	2022	2021	2020
Revenue:			
U.S. Domestic Package	\$ 64,209	\$ 60,317	\$ 53,499
International Package	19,698	19,541	15,945
Supply Chain Solutions	16,431	17,429	15,184
Consolidated revenue	<u>\$ 100,338</u>	<u>\$ 97,287</u>	<u>\$ 84,628</u>
Operating Profit:			
U.S. Domestic Package	\$ 6,997	\$ 6,436	\$ 3,891
International Package	4,326	4,646	3,436
Supply Chain Solutions	1,771	1,728	357
Consolidated operating profit	<u>\$ 13,094</u>	<u>\$ 12,810</u>	<u>\$ 7,684</u>
Assets:			
U.S. Domestic Package	\$ 38,303	\$ 35,746	\$ 35,067
International Package	17,670	17,225	15,717
Supply Chain Solutions	10,407	9,556	9,041
Unallocated	4,744	6,878	2,583
Consolidated assets	<u>\$ 71,124</u>	<u>\$ 69,405</u>	<u>\$ 62,408</u>
Depreciation and Amortization Expense:			
U.S. Domestic Package	\$ 2,173	\$ 2,058	\$ 1,805
International Package	761	685	597
Supply Chain Solutions	254	210	296
Consolidated depreciation and amortization expense	<u>\$ 3,188</u>	<u>\$ 2,953</u>	<u>\$ 2,698</u>

Revenue by product type for the years ended December 31, 2022, 2021 and 2020 is as follows (in millions):

	2022	2021	2020
U.S. Domestic Package:			
Next Day Air	\$ 10,699	\$ 10,009	\$ 8,522
Deferred	5,968	5,846	5,665
Ground	47,542	44,462	39,312
Total U.S. Domestic Package	<u>64,209</u>	<u>60,317</u>	<u>53,499</u>
International Package:			
Domestic	3,346	3,690	3,160
Export	15,341	15,012	12,159
Cargo	1,011	839	626
Total International Package	<u>19,698</u>	<u>19,541</u>	<u>15,945</u>
Supply Chain Solutions:			
Forwarding	8,943	9,872	6,975
Logistics	5,351	4,767	4,073
Freight	—	1,064	3,149
Other	2,137	1,726	987
Total Supply Chain Solutions	<u>16,431</u>	<u>17,429</u>	<u>15,184</u>
Consolidated revenue	<u>\$ 100,338</u>	<u>\$ 97,287</u>	<u>\$ 84,628</u>

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Geographic information for the years ended December 31, 2022, 2021 and 2020 is as follows (in millions):

	2022	2021	2020
United States:			
Revenue	\$ 78,110	\$ 74,376	\$ 66,580
Long-lived assets	\$ 32,002	\$ 29,609	\$ 28,354
International:			
Revenue	\$ 22,228	\$ 22,911	\$ 18,048
Long-lived assets	\$ 12,991	\$ 11,098	\$ 10,213
Consolidated:			
Revenue	\$ 100,338	\$ 97,287	\$ 84,628
Long-lived assets	\$ 44,993	\$ 40,707	\$ 38,567

Long-lived assets include property, plant and equipment, pension and postretirement benefit assets, long-term investments, goodwill and intangible assets.

No countries outside of the United States provided 10% or more of consolidated revenue for the years ended December 31, 2022, 2021 or 2020. For the years ended December 31, 2022, 2021 and 2020, Amazon.com, Inc. and its affiliates ("Amazon") represented 11.3%, 11.7% and 13.3% of our consolidated revenues, respectively. Substantially all of this revenue was attributed to U.S. Domestic Package. Amazon accounted for approximately 15.5%, 15.5% and 18.1% of accounts receivable, net, included within the consolidated balance sheets as of December 31, 2022, 2021 and 2020, respectively.

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NOTE 15. INCOME TAXES

The income tax expense (benefit) for the years ended December 31, 2022, 2021 and 2020 consists of the following (in millions):

	2022	2021	2020
Current:			
U.S. Federal	\$ 2,006	\$ 1,388	\$ 839
U.S. State and Local	273	194	100
Non-U.S.	467	478	420
Total Current	2,746	2,060	1,359
Deferred:			
U.S. Federal	296	1,311	(725)
U.S. State and Local	136	273	(159)
Non-U.S.	99	61	26
Total Deferred	531	1,645	(858)
Total Income Tax Expense	\$ 3,277	\$ 3,705	\$ 501

Income before income taxes includes the following components (in millions):

	2022	2021	2020
United States	\$ 12,276	\$ 14,220	\$ (39)
Non-U.S.	2,549	2,375	1,883
Total Income Before Income Taxes:	\$ 14,825	\$ 16,595	\$ 1,844

A reconciliation of the statutory federal income tax rate to the effective income tax rate for the years ended December 31, 2022, 2021 and 2020 consists of the following:

	2022	2021	2020
Statutory U.S. federal income tax rate	21.0 %	21.0 %	21.0 %
U.S. state and local income taxes (net of federal benefit) ⁽¹⁾	2.0	2.2	(2.6)
Non-U.S. tax rate differential	0.1	—	1.6
U.S. federal tax credits	(0.5)	(0.4)	(3.6)
Goodwill and other asset impairments	—	—	5.1
Net uncertain tax positions	0.4	0.6	3.6
Other	(0.9)	(1.1)	2.1
Effective income tax rate	22.1 %	22.3 %	27.2 %

⁽¹⁾ The 2020 state tax impact to the effective tax rate is negative due to the favorable proportion of state tax credits in comparison to pretax income.

Our effective tax rate is affected by recurring factors, such as statutory tax rates in the jurisdictions in which we operate and the relative amounts of taxable income we earn in those jurisdictions. It is also affected by discrete items that may occur in any given year, but may not be consistent from year to year.

Our effective tax rate was 22.1% in 2022, compared with 22.3% in 2021 and 27.2% in 2020, primarily due to the effects of the aforementioned recurring factors and the following discrete tax items.

UNITED PARCEL SERVICE, INC. AND SUBSIDIARIES
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2022 Discrete Items

We recognized an income tax expense of \$255 million related to pre-tax defined benefit pension and postretirement medical plan gains of \$1.1 billion. This income tax expense was generated at a higher average tax rate than the 2022 U.S. federal statutory tax rate because it included the effect of U.S. state and local and foreign taxes.

We recorded pre-tax transformation strategy costs of \$178 million during the year ended December 31, 2022. As a result, we recorded an additional income tax benefit of \$36 million. This income tax benefit was generated at a lower average tax rate than the 2022 U.S. federal statutory tax rate due to the effect of foreign taxes.

We recorded pre-tax expenses of \$505 million in connection with incentive compensation program design changes during the year ended December 31, 2022. As a result, we recorded an additional income tax benefit of \$121 million. This income tax benefit was generated at a higher average tax rate than the 2022 U.S. federal statutory tax rate due to the effect of U.S. state and local and foreign taxes.

We recorded pre-tax expenses of \$76 million as a result of a reduction in estimated residual value for certain aircraft during the year ended December 31, 2022. As a result, we recorded an additional income tax benefit of \$18 million. This income tax benefit was generated at a higher average tax rate than the 2022 U.S. federal statutory tax rate due to the effect of U.S. state and local taxes.

The recognition of excess tax benefits and deficiencies related to share-based compensation in income tax expense resulted in a net tax benefit of \$5 million and reduced our effective tax rate by 0.6% during the year ended December 31, 2022.

2021 Discrete Items

We recognized an income tax expense of \$784 million related to pre-tax defined benefit pension and postretirement medical plan gains of \$3.3 billion. This income tax expense was generated at a higher average tax rate than the 2021 U.S. federal statutory tax rate because it included the effect of U.S. state and local and foreign taxes.

We recorded pre-tax transformation strategy costs of \$380 million during the year ended December 31, 2021. As a result, we recorded an additional income tax benefit of \$95 million. This income tax benefit was generated at a higher average tax rate than the 2021 U.S. federal statutory tax rate due to the effect of U.S. state and local and foreign taxes.

We recorded a pre-tax gain of \$46 million during the year ended December 31, 2021 related to the divestiture of UPS Freight. As a result, we recorded an additional income tax expense of \$11 million. This income tax expense was generated at a higher average tax rate than the 2021 U.S. federal statutory tax rate due to the effect of U.S. state and local taxes.

The recognition of excess tax benefits and deficiencies related to share-based compensation in income tax expense resulted in a net tax benefit of \$05 million and reduced our effective tax rate by 0.6% during the year ended December 31, 2021.

2020 Discrete Items

In the fourth quarter of 2020, we recognized an income tax benefit of \$1.6 billion related to pre-tax defined benefit pension and postretirement medical plan losses of \$6.5 billion. This income tax benefit was generated at a higher average tax rate than the 2020 U.S. federal statutory tax rate because it included the effect of U.S. state and local and foreign taxes.

We recorded pre-tax transformation strategy costs of \$348 million during the year ended December 31, 2020. As a result, we recorded an additional income tax benefit of \$83 million. This income tax benefit was generated at a higher average tax rate than the 2020 U.S. federal statutory tax rate due to the effect of U.S. state and local and foreign taxes.

We recorded goodwill and other asset impairment charges of \$686 million during the year ended December 31, 2020. As a result, we recorded an additional income tax benefit of \$57 million. This income tax benefit was generated at a lower average tax rate than the U.S. federal statutory tax rate due to the portion of the costs related to goodwill impairment, which is not deductible for tax purposes.

The recognition of excess tax benefits and deficiencies related to share-based compensation in income tax expense resulted in a net tax benefit of \$8 million and reduced our effective tax rate by 1.5% during the year ended December 31, 2020.

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Our 2020 effective tax rate was also unfavorably impacted by new uncertain tax positions.

Other Items

Beginning in 2012, we were granted a tax incentive for certain of our non-U.S. operations, which was effective through December 31, 2021. During 2022, the tax incentive was renegotiated and extended through December 31, 2026. The tax incentive is conditional upon our meeting specific employment and investment thresholds. The impact of this tax incentive decreased non-U.S. tax expense by \$47, \$61 and \$35 million (increased diluted earnings per share by \$0.05, \$0.07 and \$0.04) for 2022, 2021 and 2020, respectively.

Deferred income tax assets and liabilities are comprised of the following as of December 31, 2022 and 2021 (in millions):

	2022	2021
Fixed assets and capitalized software	\$ (5,819)	\$ (5,808)
Operating lease right-of-use assets	(893)	(839)
Other	(708)	(593)
Deferred tax liabilities	(7,420)	(7,240)
Pension and postretirement benefits	637	1,620
Loss and credit carryforwards	242	342
Insurance reserves	603	587
Stock compensation	315	219
Accrued employee compensation	304	453
Operating lease liabilities	948	874
Other	331	318
Deferred tax assets	3,380	4,413
Deferred tax assets valuation allowance	(123)	(122)
Deferred tax asset (net of valuation allowance)	3,257	4,291
Net deferred tax asset (liability)	<u>\$ (4,163)</u>	<u>\$ (2,949)</u>
Amounts recognized in the consolidated balance sheets:		
Deferred tax assets	\$ 139	\$ 176
Deferred tax liabilities	(4,302)	(3,125)
Net deferred tax asset (liability)	<u>\$ (4,163)</u>	<u>\$ (2,949)</u>

The valuation allowance changed by \$1, \$34 and \$34 million during the years ended December 31, 2022, 2021 and 2020, respectively.

We have a U.S. federal capital loss carryforward of \$213 million as of December 31, 2022, \$6 million of which expires on December 31, 2025, \$156 million of which expires on December 31, 2026 and the remainder of which expires on December 31, 2027.

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Further, we have U.S. state and local operating loss and credit carryforwards as follows (in millions):

	2022		2021	
U.S. state and local operating loss carryforwards	\$	653	\$	924
U.S. state and local credit carryforwards	\$	46	\$	90

The U.S. state and local operating loss carryforwards and credits can be carried forward for periods ranging from one year to indefinitely. We also have non-U.S. loss carryforwards of \$487 million as of December 31, 2022, the majority of which may be carried forward indefinitely. As indicated in the table above, we have established a valuation allowance for certain U.S. federal, state and non-U.S. carryforwards due to the uncertainty resulting from a lack of previous taxable income within the applicable tax jurisdictions and other limitations.

Undistributed earnings and profits ("E&P") of our foreign subsidiaries amounted to \$5.6 billion as of December 31, 2022. Currently, \$78 million of the undistributed E&P of our foreign subsidiaries is considered to be indefinitely reinvested and, accordingly, no deferred income taxes have been provided thereon. Upon distribution of those earnings in the form of dividends or otherwise, we would be subject to U.S. state and local taxes and withholding taxes payable in various jurisdictions. Determination of the amount of unrecognized deferred income tax liability is not practicable because of the complexities associated with its hypothetical calculation.

In December 2017, the United States enacted into law the Tax Cuts and Jobs Act (the "Tax Act"), requiring a one-time transition tax on certain unrepatriated earnings of foreign subsidiaries. We elected to pay the tax over eight years based on an installment schedule outlined in the Tax Act. The remaining liability of \$123 million is reflected in current and non-current liabilities on the consolidated balance sheets based on the timing of payment. This balance will be paid between 2023 and 2025.

The following table summarizes the activity related to our uncertain tax positions (in millions):

	Tax	Interest	Penalties
Balance as of January 1, 2020	\$ 172	\$ 52	\$ 4
Additions for tax positions of the current year	61	—	—
Additions for tax positions of prior years	154	34	2
Reductions for tax positions of prior years for:			
Changes based on facts and circumstances	(54)	(24)	(2)
Settlements during the period	—	(1)	—
Lapses of applicable statute of limitations	—	—	—
Balance as of December 31, 2020	333	61	4
Additions for tax positions of the current year	85	—	—
Additions for tax positions of prior years	107	23	—
Reductions for tax positions of prior years for:			
Changes based on facts and circumstances	(42)	(4)	(2)
Settlements during the period	(3)	(2)	—
Lapses of applicable statute of limitations	—	—	—
Balance as of December 31, 2021	480	78	2
Additions for tax positions of the current year	56	—	—
Additions for tax positions of prior years	25	30	2
Reductions for tax positions of prior years for:			
Changes based on facts and circumstances	(9)	(1)	—
Settlements during the period	(10)	(1)	—
Lapses of applicable statute of limitations	(9)	(2)	—
Balance as of December 31, 2022	\$ 533	\$ 104	\$ 4

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The total amount of gross uncertain tax positions as of December 31, 2022, 2021, and 2020 that, if recognized, would affect the effective tax rate was \$33, \$479, and \$332 million, respectively. Our continuing policy is to recognize interest and penalties associated with income tax matters as a component of income tax expense.

We file income tax returns in the U.S. federal jurisdiction, most U.S. state and local jurisdictions, and many non-U.S. jurisdictions. We have substantially resolved all U.S. federal income tax matters for tax years prior to 2016.

A number of years may elapse before an uncertain tax position is audited and ultimately settled. It is difficult to predict the ultimate outcome or the timing of resolution for uncertain tax positions. Items that may cause changes to unrecognized tax benefits include the allowance or disallowance of deductions, the timing of deductions and the allocation of income and expense between tax jurisdictions. These changes could result from the settlement of ongoing litigation, the completion of ongoing examinations, the expiration of the statute of limitations, or other unforeseen circumstances. Over the next twelve months, it is reasonably possible that the amount of unrecognized tax benefits may decrease by up to \$175 million.

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NOTE 16. EARNINGS PER SHARE

The earnings per share amounts are the same for class A and class B common shares as the holders of each class are legally entitled to equal per share distributions whether through dividends or in liquidation.

The following table sets forth the computation of basic and diluted earnings per share (in millions, except per share amounts):

	2022	2021	2020
Numerator:			
Net income attributable to common shareowners	\$ 11,548	\$ 12,890	\$ 1,343
Denominator:			
Weighted-average shares	868	869	862
Deferred compensation obligations	—	—	—
Vested portion of restricted shares	3	5	5
Denominator for basic earnings per share	871	874	867
Effect of Dilutive Securities:			
Restricted performance units	3	3	4
Stock options	1	1	—
Denominator for diluted earnings per share	875	878	871
Basic Earnings Per Share	\$ 13.26	\$ 14.75	\$ 1.55
Diluted Earnings Per Share	\$ 13.20	\$ 14.68	\$ 1.54

Diluted earnings per share for the years ended December 31, 2022, 2021 and 2020 exclude the effect of 0.1, 0.1 and 0.6 million shares, respectively, of common stock that may be issued upon the exercise of employee stock options because such effect would be antidilutive.

NOTE 17. DERIVATIVE INSTRUMENTS AND RISK MANAGEMENT

Risk Management Policies

Changes in fuel prices, interest rates and foreign currency exchange rates impact our results of operations and we actively monitor these exposures. Where deemed appropriate, to manage the impact of these exposures on earnings and/or cash flows, we may enter into a variety of derivative financial instruments. We do not hold or issue derivative financial instruments for trading or speculative purposes.

Credit Risk Management

The forward contracts, swaps and options discussed below contain an element of risk that the counterparties may be unable to meet the terms of the agreements; however, we seek to minimize such risk exposures for these instruments by limiting the counterparties to banks and financial institutions that meet established credit guidelines. We may further manage credit risk through the use of zero threshold bilateral collateral provisions and/or early termination rights utilizing master netting arrangements, whereby cash is exchanged based on the net fair value of derivatives associated with each counterparty.

As of December 31, 2022 and 2021, we held cash collateral of \$34 and \$260 million, respectively, under these agreements. This collateral is included in *Cash and cash equivalents* in the consolidated balance sheets and is unrestricted. As of December 31, 2022 and 2021, no collateral was required to be posted with our counterparties.

Types of Hedges

Commodity Risk Management

Currently, the fuel surcharges that we apply in our domestic and international package businesses are the primary means of reducing the risk of adverse fuel price changes on our business. In order to mitigate the impact of fuel surcharges imposed on us by outside carriers, we regularly adjust the rates we charge for our freight brokerage services.

Foreign Currency Risk Management

To protect against the reduction in value of forecasted foreign currency cash flows from our international package business, we maintain a foreign currency cash flow hedging program. Our most significant foreign currency exposures relate to the Euro, British Pound Sterling, Canadian Dollar, Chinese Renminbi and Hong Kong Dollar. We generally designate and account for these contracts as cash flow hedges of anticipated foreign currency denominated revenue.

We also hedge portions of our anticipated cash settlements of principal and interest on certain foreign currency denominated debt. We generally designate and account for these contracts as cash flow hedges of forecasted foreign currency denominated transactions.

We hedge our net investment in certain foreign operations with foreign currency denominated debt instruments.

Interest Rate Risk Management

Our indebtedness under our various financing arrangements creates interest rate risk. We use a combination of derivative instruments as part of our program to manage the fixed and floating interest rate mix of our total debt portfolio and related overall cost of borrowing.

We have designated and account for the majority of our interest rate swaps that convert fixed-rate interest payments into floating-rate interest payments as fair value hedges of the associated debt instruments. We have designated and account for interest rate swaps that convert floating-rate interest payments into fixed-rate interest payments as cash flow hedges of the forecasted payment obligations.

We may periodically hedge the forecasted fixed-coupon interest payments associated with anticipated debt offerings by using forward starting interest rate swaps, interest rate locks or similar derivatives.

UNITED PARCEL SERVICE, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Outstanding Positions

The notional amounts of our outstanding derivative positions as of December 31, 2022 and 2021 were as follows (in millions):

		2022	2021
Currency hedges:			
Euro	EUR	4,115	4,257
British Pound Sterling	GBP	856	1,402
Canadian Dollar	CAD	1,598	1,633
Hong Kong Dollar	HKD	4,261	4,033
Interest rate hedges:			
Fixed to Floating Interest Rate Swaps	USD	—	1,000
Floating to Fixed Interest Rate Swaps	USD	28	28

As of December 31, 2022 and 2021, we had no outstanding commodity hedge positions.

Balance Sheet Recognition

The following table indicates the location in the consolidated balance sheets where our derivative assets and liabilities have been recognized, the fair value hierarchy level applicable to each derivative type and the related fair values of those derivatives.

We have master netting arrangements with substantially all of our counterparties giving us the right of offset for our derivative positions. However, we have not elected to offset the fair value positions of our derivative contracts recorded in the consolidated balance sheets. The columns labeled *Net Amounts if Right of Offset had been Applied* indicate the potential net fair value positions by type of contract and location in the consolidated balance sheets had we elected to apply the right of offset as of December 31, 2022 and 2021 (in millions):

Asset Derivatives	Balance Sheet Location	Fair Value Hierarchy Level	Gross Amounts Presented in Consolidated Balance Sheets		Net Amounts if Right of Offset had been Applied	
			2022	2021	2022	2021
Derivatives designated as hedges:						
Foreign currency exchange contracts	Other current assets	Level 2	\$ 174	\$ 100	\$ 171	\$ 82
Interest rate contracts	Other current assets	Level 2	—	11	—	11
Foreign currency exchange contracts	Other non-current assets	Level 2	250	123	226	90
Derivatives not designated as hedges:						
Foreign currency exchange contracts	Other current assets	Level 2	1	2	1	2
Total Asset Derivatives			<u>\$ 425</u>	<u>\$ 236</u>	<u>\$ 398</u>	<u>\$ 185</u>

Liability Derivatives	Balance Sheet Location	Fair Value Hierarchy Level	Gross Amounts Presented in Consolidated Balance Sheets		Net Amounts if Right of Offset had been Applied	
			2022	2021	2022	2021
Derivatives designated as hedges:						
Foreign currency exchange contracts	Other current liabilities	Level 2	\$ 3	\$ 19	\$ —	\$ 1
Foreign currency exchange contracts	Other non-current liabilities	Level 2	24	33	—	—
Interest rate contracts	Other non-current liabilities	Level 2	5	10	5	10
Total Liability Derivatives			<u>\$ 32</u>	<u>\$ 62</u>	<u>\$ 5</u>	<u>\$ 11</u>

UNITED PARCEL SERVICE, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Our foreign currency exchange rate, interest rate and investment market price derivatives are largely comprised of over-the-counter derivatives, which are primarily valued using pricing models that rely on market observable inputs such as yield curves, foreign currency exchange rates and investment forward prices; therefore, these derivatives are classified as Level 2.

Balance Sheet Location of Hedged Item in Fair Value Hedges

The following table indicates the amounts that were recorded in the consolidated balance sheets related to cumulative basis adjustments for fair value hedges as of December 31, 2022 and 2021 (in millions):

Line Item in the Consolidated Balance Sheets in Which the Hedged Item is Included	2022		2021	
	Carrying Amount of Hedged Liabilities	Cumulative Amount of Fair Value Hedge Adjustments	Carrying Amount of Hedged Liabilities	Cumulative Amount of Fair Value Hedge Adjustments
Long-Term Debt and Finance Leases	\$ 280	\$ 5	\$ 1,290	\$ 16

Income Statement and AOCI Recognition of Designated Hedges

The following table indicates the amount of gains and (losses) that have been recognized in the statements of consolidated income for fair value and cash flow hedges, as well as the associated gain or (loss) for the underlying hedged item for fair value hedges for the years ended December 31, 2022 and 2021 (in millions):

Location and Amount of Gain (Loss) Recognized in Income on Fair Value and Cash Flow Hedging Relationships	2022			2021		
	Revenue	Interest Expense	Investment Income and Other	Revenue	Interest Expense	Investment Income and Other
Gain or (loss) on fair value hedging relationships:						
Interest Contracts:						
Hedged items	\$ —	\$ 11	\$ —	\$ —	\$ 20	\$ —
Derivatives designated as hedging instruments	—	(11)	—	—	(20)	—
Gain or (loss) on cash flow hedging relationships:						
Interest Contracts:						
Amount of gain or (loss) reclassified from accumulated other comprehensive income	—	(10)	—	—	(11)	—
Foreign Currency Exchange Contracts:						
Amount of gain or (loss) reclassified from accumulated other comprehensive income	304	—	(1)	83	—	—
Total amounts of income and expense line items presented in the statement of income in which the effects of fair value or cash flow hedges are recorded	<u>\$ 304</u>	<u>\$ (10)</u>	<u>\$ (1)</u>	<u>\$ 83</u>	<u>\$ (11)</u>	<u>\$ —</u>

The following table indicates the amount of gains and (losses) that have been recognized in AOCI for the years ended December 31, 2022 and 2021 for those derivatives designated as cash flow hedges (in millions):

Derivative Instruments in Cash Flow Hedging Relationships	Amount of Gain (Loss) Recognized in AOCI on Derivatives	
	2022	2021
Interest rate contracts	\$ 6	\$ 2
Foreign currency exchange contracts	529	341
Total	<u>\$ 535</u>	<u>\$ 343</u>

As of December 31, 2022, there were \$165 million of pre-tax gains related to cash flow hedges deferred in AOCI that are expected to be reclassified to income over the 12 month period ending December 31, 2023. The actual amounts that will be reclassified to income over the next 12 months will vary from this amount as a result of changes in market conditions. The maximum term over which we are hedging exposures to the variability of cash flows is approximately 9 years.

UNITED PARCEL SERVICE, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The following table indicates the amount of gains and (losses) that have been recognized in AOCI within foreign currency translation adjustment for the years ended December 31, 2022 and 2021 for those instruments designated as net investment hedges (in millions):

Non-derivative Instruments in Net Investment Hedging Relationships	Amount of Gain (Loss) Recognized in AOCI on Debt	
	2022	2021
Foreign denominated debt	\$ 199	\$ 225
Total	\$ 199	\$ 225

Income Statement Recognition of Non-Designated Derivative Instruments

Derivative instruments that are not designated as hedges are recorded at fair value with unrealized gains and losses reported in earnings each period. Cash flows from the settlement of derivative instruments appear in the statement of consolidated cash flows within the same categories as the cash flows of the hedged item.

We may periodically terminate interest rate swaps and foreign currency exchange forward contracts or enter into offsetting swap and foreign currency positions with different counterparties. As part of this process, we de-designate our original hedge relationship.

Amounts recorded in the statements of consolidated income related to fair value changes and settlements of interest rate swaps, foreign currency forward and investment market price forward contracts not designated as hedges for the years ended December 31, 2022 and 2021 (in millions) were as follows:

Derivative Instruments Not Designated in Hedging Relationships	Location of Gain (Loss) Recognized in Income	Amount of Gain (Loss) Recognized in Income	
		2022	2021
Foreign currency exchange contracts	Investment income and other	\$ (69)	\$ (28)
Total		\$ (69)	\$ (28)

UNITED PARCEL SERVICE, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 18. TRANSFORMATION STRATEGY COSTS

Our strategy includes a multi-year, enterprise-wide transformation of our organization. The program includes initiatives, as well as changes in processes and technology, that impact global direct and indirect operating costs.

The table below presents the transformation strategy costs for the years ended December 31, 2022, 2021 and 2020 (in millions):

	2022	2021	2020
Compensation and benefits	\$ 46	\$ 206	\$ 211
Total other expenses	132	174	137
Total Transformation Strategy Costs	\$ 178	\$ 380	\$ 348
Income Tax Benefit from Transformation Strategy Costs	(36)	(95)	(83)
After-Tax Transformation Strategy Costs	\$ 142	\$ 285	\$ 265

The income tax effects of transformation strategy costs are calculated by multiplying the amount of the adjustments by the statutory tax rates applicable in each tax jurisdiction.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

Item 9A. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

As of the end of the period covered by this report, management, including our Principal Executive Officer and Principal Financial and Accounting Officer, evaluated the effectiveness of the design and operation of our disclosure controls and procedures. Based upon, and as of the date of, the evaluation, our Principal Executive Officer and Principal Financial and Accounting Officer concluded that the disclosure controls and procedures were effective to ensure that information required to be disclosed in the reports we file and submit under the Exchange Act is recorded, processed, summarized and reported as and when required and is accumulated and communicated to our management, including our Principal Executive Officer and Principal Financial and Accounting Officer, as appropriate to allow timely decisions regarding required disclosure.

Changes in Internal Control Over Financial Reporting

There were no changes in our internal control over financial reporting during the quarter ended December 31, 2022 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting. We continue to monitor and assess the effects of remote and hybrid work on our internal controls to minimize the impact on their design and operating effectiveness.

Management's Report on Internal Control Over Financial Reporting

UPS management is responsible for establishing and maintaining adequate internal control over financial reporting for United Parcel Service, Inc. and its subsidiaries (the "Company"). Based on the criteria for effective internal control over financial reporting established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission, management has assessed our internal control over financial reporting as effective as of December 31, 2022. The independent registered public accounting firm of Deloitte & Touche LLP, as auditors of the consolidated balance sheets of United Parcel Service, Inc. and its subsidiaries as of December 31, 2022 and the related statements of consolidated income, consolidated comprehensive income and consolidated cash flows for the year ended December 31, 2022, has issued an attestation report on our internal control over financial reporting, which is included herein.

Report of Independent Registered Public Accounting Firm

To the Shareowners and Board of Directors of
United Parcel Service, Inc.
Atlanta, Georgia

Opinion on Internal Control over Financial Reporting

We have audited the internal control over financial reporting of United Parcel Service, Inc. and subsidiaries (the "Company") as of December 31, 2022, based on criteria established in Internal Control — Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2022, based on criteria established in Internal Control — Integrated Framework (2013) issued by COSO.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) ("PCAOB"), the consolidated financial statements as of and for the year ended December 31, 2022, of the Company and our report dated February 20, 2023, expressed an unqualified opinion on those financial statements.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Deloitte & Touche LLP

Atlanta, Georgia
February 20, 2023

Item 9B. *Other Information*

None.

Item 9C. *Disclosure Regarding Foreign Jurisdictions that Prevent Inspections*

Not applicable.

PART III

Item 10. Directors, Executive Officers and Corporate Governance
Information about our Executive Officers

Name and Office	Age	Principal Occupation and Employment For the Last Five Years
Carol B. Tomé Chief Executive Officer	66	Chief Executive Officer (2020 - present), Chief Financial Officer, The Home Depot, Inc. (2001 - 2019).
Norman M. Brothers, Jr. Executive Vice President; Chief Legal and Compliance Officer and Corporate Secretary	55	Chief Legal and Compliance Officer and Corporate Secretary (2020 - present), Senior Vice President, General Counsel and Corporate Secretary (2016 - 2020).
Nando Cesarone Executive Vice President; President, U.S.	51	President, U.S. (2020 - present), President, UPS International (2018 - 2020), Europe Region Manager (2016 - 2018).
Darrell Ford Executive Vice President; Chief Human Resources Officer and Chief Diversity, Equity and Inclusion Officer	58	Chief Human Resources Officer and Chief Diversity, Equity and Inclusion Officer (2022 - present), Chief Human Resources Officer (2021 - 2022), Chief Human Resources Officer, DuPont (2018 - 2020), Chief Human Resources Officer, Xerox Corporation (2015 - 2018).
Kate M. Gutmann Executive Vice President; President International, Healthcare and Supply Chain Solutions	54	President International, Healthcare and Supply Chain Solutions (2022 - present), Chief Sales and Solutions Officer, Executive Vice President, UPS Global Healthcare (2020 - 2022), Chief Sales and Solutions Officer; Senior Vice President The UPS Store and UPS Capital (2017 - 2019).
Laura Lane Executive Vice President; Chief Corporate Affairs, Communications and Sustainability Officer	56	Chief Corporate Affairs, Communications and Sustainability Officer (2020 - present), Chief Corporate Affairs and Communications Officer (August 2020 - October 2020), President, Global Public Affairs (2011 - 2020).
Brian Newman Executive Vice President; Chief Financial Officer	54	Chief Financial Officer (2021 - present), Chief Financial Officer and Treasurer (2019 - 2021), Executive Vice President, Finance and Operations, Latin America, PepsiCo, Inc. (2017 - 2019).
Bala Subramanian Executive Vice President; Chief Digital and Technology Officer	51	Chief Digital and Technology Officer (2022 - present), Chief Digital Officer, AT&T Inc. (2018 - 2022), Chief Digital Officer, Best Buy Co., Inc. (2017 - 2018).
Kevin Warren Executive Vice President; Chief Marketing Officer	60	Chief Marketing Officer (2018 - present), Executive Vice President and Chief Commercial Officer, Xerox Corporation (2017 - 2018).

Information about our directors will be presented under the caption "Our Board of Directors" in our definitive proxy statement for our meeting of shareowners to be held on May 4, 2023 (the "Proxy Statement") and is incorporated herein by reference.

Information about our Audit Committee will be presented under the caption "Our Board of Directors - Committees of the Board of Directors" and "Audit Committee Matters" in our Proxy Statement and is incorporated herein by reference.

Information about our Code of Business Conduct is presented under the caption "Where You Can Find More Information" in Part I, Item 1 of this report.

Information with respect to compliance with Section 16(a) of the Exchange Act will be presented under the caption "Delinquent Section 16(a) Reports" in our Proxy Statement and is incorporated herein by reference.

Item 11. *Executive Compensation*

Information about our board and executive compensation will be presented under the captions "Our Board of Directors - Director Compensation" and "Executive Compensation" in our Proxy Statement and is incorporated herein by reference.

Item 12. *Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters*

Information about security ownership will be presented under the caption "Ownership of Our Securities - Securities Ownership of Certain Beneficial Owners and Management" in our Proxy Statement and is incorporated herein by reference.

Information about our equity compensation plans will be presented under the caption "Executive Compensation - Equity Compensation Plans" in our Proxy Statement and is incorporated herein by reference.

Item 13. *Certain Relationships and Related Transactions, and Director Independence*

Information about transactions with related persons will be presented under the caption "Corporate Governance - Conflicts of Interest and Related Person Transactions" in our Proxy Statement and is incorporated herein by reference.

Information about director independence will be presented under the caption "Corporate Governance - Director Independence" in our Proxy Statement and is incorporated herein by reference.

Item 14. *Principal Accountant Fees and Services*

Information about aggregate fees billed to us by our principal accountant will be presented under the caption "Audit Committee Matters - Principal Accounting Firm Fees" in our Proxy Statement and is incorporated herein by reference.

PART IV

Item 15. Exhibits and Financial Statement Schedules

(a) *Documents filed as a part of this report:*

1. *Financial Statements.*

See Item 8 for the financial statements filed with this report.

2. *Financial Statement Schedules.*

None.

3. *Exhibits.*

See the Exhibit Index below for a list of the exhibits incorporated by reference into or filed with this report.

(b) *Exhibits Required To Be Filed*

See Item 15(a) 3 above.

(c) *Financial Statement Schedules Required To Be Filed*

See Item 15(a) 2 above.

Item 16. Form 10-K Summary

None.

EXHIBIT INDEX

Exhibit No.	Description
3.1	— Restated Certificate of Incorporation of United Parcel Service, Inc. (incorporated by reference to Exhibit 3.3 to Form 8-K filed on May 12, 2010).
3.2	— Amended and Restated Bylaws of United Parcel Service, Inc. as of November 17, 2017 (incorporated by reference to Exhibit 3.1 to Form 8-K, filed on November 17, 2017).
4.1	— Indenture dated as of December 18, 1997 (incorporated by reference to Exhibit T-3C to Form T-3 (No. 022-22295), filed on December 18, 1997⁹⁾).
4.2	— Indenture dated as of January 26, 1999 (incorporated by reference to Exhibit 4.1 to Pre-Effective Amendment No. 1 to Form S-3 (No. 333-08369), filed on January 26, 1999) ⁽¹⁾.
4.3	— Form of First Supplemental Indenture to Indenture dated as of January 26, 1999 (incorporated by reference to Exhibit 4.2 to Post-Effective Amendment No. 1 to Form S-3 (No. 333-08369-01), filed on March 15, 2000).
4.4	— Second Supplemental Indenture dated as of September 21, 2001 to Indenture dated as of January 26, 1999 (incorporated by reference to Exhibit 4 to Form 10-O for the quarter ended September 30, 2001).
4.5	— Indenture dated as of August 26, 2003 (incorporated by reference to Exhibit 4.1 to Form S-3 (No. 333-108272), filed on August 27, 2003).
4.6	— First Supplemental Indenture dated as of November 15, 2013 to Indenture dated as of August 26, 2003 (incorporated by reference to Exhibit 4.2 to Form S-3ASR (No. 333-192369), filed on November 15, 2013).
4.7	— Second Supplemental Indenture dated as of May 18, 2017 (incorporated by reference to Exhibit 4.1 to Form 8-K, filed on May 18, 2017).
4.8	— Indenture dated as of September 30, 2022, between UPS and U.S. Bank Trust Company, National Association, as Trustee (incorporated by reference to Exhibit 4.4 to Form S-3 (File No.333-267664), filed on September 30, 2022).
4.9	— Indenture dated as of September 30, 2022, between UPS and Truist Bank, as Trustee (incorporated by reference to Exhibit 4.5 to Form S-3 (File No.333-267664), filed on September 30, 2022).
4.10	— Form of 6.20% Senior Notes due January 15, 2038 (incorporated by reference to Exhibit 4.3 to Form 8-K, filed on January 15, 2008).
4.11	— Form of 4.875% Senior Notes due November 15, 2040 (incorporated by reference to Exhibit 4.2 to Form 8-K, filed on November 12, 2010).
4.12	— Form of 3.625% Senior Notes due October 1, 2042 (incorporated by reference to Exhibit 4.3 to Form 8-K, filed on September 27, 2012).
4.13	— Form of Floating Rate Senior Notes due December 15, 2064 (incorporated by reference to Exhibit 4.1 to Form 8-K, filed on December 15, 2014).
4.14	— Form of Floating Rate Senior Notes due September 15, 2065 (incorporated by reference to Exhibit 4.1 to Form 8-K, filed on September 17, 2015).
4.15	— Form of 1.625% Senior Notes due November 15, 2025 (incorporated by reference to Exhibit 4.2 to Form 8-K, filed on November 20, 2015).
4.16	— Form of Floating Rate Senior Notes due March 15, 2066 (incorporated by reference to Exhibit 4.1 to Form 8-K, filed on April 1, 2016).
4.17	— Form of 2.40% Senior Notes Due November 2026 (incorporated by reference to Exhibit 4.2 to Form 8-K, filed on October 25, 2016).
4.18	— Form of 3.40% Senior Notes Due November 2046 (incorporated by reference to Exhibit 4.3 to Form 8-K, filed on October 25, 2016).
4.19	— Form of 1.00% Senior Notes Due November 2028 (incorporated by reference to Exhibit 4.1 to Form 8-K, filed on October 25, 2016).
4.20	— Form of Floating Rate Senior Notes due March 15, 2067 (incorporated by reference to Exhibit 4.1 to Form 8-K, filed on March 31, 2017).
4.21	— Form of 2.125% Senior Notes due May 21, 2024 (incorporated by reference to Exhibit 4.2 to Form 8-K, filed on May 18, 2017).

- 4.22 — [Form of 0.375% Senior Notes due November 15, 2023 \(incorporated by reference to Exhibit 4.1 to Form 8-K, filed on November 13, 2017\).](#)
- 4.23 — [Form of 1.500% Senior Notes due November 15, 2032 \(incorporated by reference to Exhibit 4.2 to Form 8-K, filed on November 13, 2017\).](#)
- 4.24 — [Form of Floating Rate Senior Notes due April 1, 2023 \(incorporated by reference to Exhibit 4.2 to Form 8-K, filed on November 14, 2017\).](#)
- 4.25 — [Form of 2.500% Senior Notes due April 1, 2023 \(incorporated by reference to Exhibit 4.4 to Form 8-K, filed on November 14, 2017\).](#)
- 4.26 — [Form of 2.800% Senior Notes due November 15, 2024 \(incorporated by reference to Exhibit 4.5 to Form 8-K, filed on November 14, 2017\).](#)
- 4.27 — [Form of 3.050% Senior Notes due November 15, 2027 \(incorporated by reference to Exhibit 4.6 to Form 8-K, filed on November 14, 2017\).](#)
- 4.28 — [Form of 3.750% Senior Notes due November 15, 2047 \(incorporated by reference to Exhibit 4.7 to Form 8-K, filed on November 14, 2017\).](#)
- 4.29 — [Form of Floating Rate Senior Notes due November 15, 2067 \(incorporated by reference to Exhibit 4.8 to Form 8-K, filed on November 14, 2017\).](#)
- 4.30 — [Form of 3.400% Senior Notes due March 15, 2029 \(incorporated by reference to Exhibit 4.1 to Form 8-K, filed on March 15, 2019\).](#)
- 4.31 — [Form of 4.250% Senior Notes due March 15, 2049 \(incorporated by reference to Exhibit 4.2 to Form 8-K, filed on March 15, 2019\).](#)
- 4.32 — [Form of 2.200% Senior Notes due September 1, 2024 \(incorporated by reference to Exhibit 4.1 to Form 8-K filed on August 16, 2019\).](#)
- 4.33 — [Form of 2.500% Senior Notes due September 1, 2029 \(incorporated by reference to Exhibit 4.2 to Form 8-K filed on August 16, 2019\).](#)
- 4.34 — [Form of 3.400% Senior Notes due September 1, 2049 \(incorporated by reference to Exhibit 4.3 to Form 8-K filed on August 16, 2019\).](#)
- 4.35 — [Form of 3.900% Senior Notes due 2025 \(incorporated by reference to Exhibit 4.1 to Form 8-K filed on March 25, 2020\).](#)
- 4.36 — [Form of 4.450% Senior Notes due 2030 \(incorporated by reference to Exhibit 4.2 to Form 8-K filed on March 25, 2020\).](#)
- 4.37 — [Form of 5.200% Senior Notes due 2040 \(incorporated by reference to Exhibit 4.3 to Form 8-K filed on March 25, 2020\).](#)
- 4.38 — [Form of 5.300% Senior Notes due 2050 \(incorporated by reference to Exhibit 4.4 to Form 8-K filed on March 25, 2020\).](#)
- 4.39 — [Description of Securities \(incorporated by reference to Exhibit 4.42 to Form 10-K for the year ended December 31, 2020\).](#)
- 10.1 — [UPS Retirement Plan Amendment and Restatement Effective January 1, 2014 \(incorporated by reference to Exhibit 10.1 to Form 10-K for the year ended December 31, 2014\).*](#)
- 10.1(a) — [Amendment No. 1 to UPS Retirement Plan, as Amended and Restated, effective as of June 30, 2016 \(incorporated by reference to Exhibit 10.1 to Form 10-Q for the quarter ended June 30, 2016\).*](#)
- 10.1(b) — [Amendment Four to the Amended and Restated UPS Retirement Plan effective June 23, 2017 \(incorporated by reference to Exhibit 10.2 to Form 8-K, filed on June 27, 2017\).*](#)
- 10.2 — [Amended and Restated UPS 401\(k\) Savings Plan, effective as of January 1, 2023.*](#)
- 10.3 — [Amended and Restated Restoration Savings Plan, effective as of January 1, 2023.*](#)
- 10.4 — [Amendment One to the Amended and Restated UPS Excess Coordinating Benefit Plan effective June 23, 2017 \(incorporated by reference to Exhibit 10.4 to Form 8-K, filed on June 27, 2017\).*](#)
- 10.4(a) — [UPS Excess Coordinating Benefit Plan, as Amended and Restated, effective as of January 1, 2012 \(incorporated by reference to Exhibit 10.5 to Form 10-K for the year ended December 31, 2012\).*](#)

- 10.5 — [United Parcel Service, Inc. 2012 Omnibus Incentive Compensation Plan \(incorporated by reference to Annex A to the Definitive Proxy Statement, filed on March 12, 2012\).*](#)
- 10.5(a) — [Form of Non-Employee Director Restricted Stock Unit Award Agreement \(incorporated by reference to Exhibit 10.1 to the Quarterly Report on Form 10-Q for the quarter ended June 30, 2019\).*](#)
- 10.5(b) — [UPS Stock Option Program Terms and Conditions effective as of January 1, 2012 \(incorporated by reference to Exhibit 10.7\(4\) to the Form 10-K for the year ended December 31, 2011\).*](#)
- 10.6 — [Form of UPS Deferred Compensation Plan as Amended and Restated effective January 1, 2012 \(incorporated by reference to Exhibit 10.6 to Form 10-K for the year ended December 31, 2018\).*](#)
- 10.6(a) — [Amendment No. 1 to Amended and Restated UPS Deferred Compensation Plan \(incorporated by reference to Exhibit 10.7\(1\) to the Form 10-K for the year ended December 31, 2012\).*](#)
- 10.7 — [2015 Omnibus Incentive Compensation Plan \(incorporated by reference to Annex A to the Definitive Proxy Statement filed on March 24, 2015\).*](#)
- 10.8 — [2018 Omnibus Incentive Compensation Plan \(incorporated by reference to Annex A to the Definitive Proxy Statement filed on March 16, 2018\).*](#)
- 10.8(a) — [UPS Management Incentive Program Amended and Restated Terms and Conditions effective November 8, 2018 \(incorporated by reference to Exhibit 10.8\(a\) to Form 10-K for the year ended December 31, 2018\).*](#)
- 10.8(b) — [UPS Stock Option Program Amended and Restated Terms and Conditions effective November 8, 2018 \(incorporated by reference to Exhibit 10.8\(b\) to Form 10-K for the year ended December 31, 2018\).*](#)
- 10.9 — [Form of Protective Covenant Agreement between the Company and Kevin Warren \(incorporated by reference to Exhibit 10.12 to Form 10-K for the year ended December 31, 2018\).*](#)
- 10.10 — [Employment offer letter agreement between the Company and Brian Newman, dated August 7, 2019 \(incorporated by reference to Exhibit 10.1 to Form 8-K filed on August 13, 2019\).*](#)
- 10.11 — [Protective Covenant Agreement between the Company and Brian Newman, dated August 7, 2019 \(incorporated by reference to Exhibit 10.2 to Form 8-K filed on August 13, 2019\).*](#)
- 10.12 — [UPS Long-Term Incentive Performance Program Amended and Restated Terms and Conditions effective as of February 13, 2020 \(incorporated by reference to Exhibit 10.16 to Form 10-K for the year ended December 31, 2019\).*](#)
- 10.13 — [Employment offer letter agreement between UPS and Carol B Tomé, dated March 11, 2020 \(incorporated by reference to Exhibit 10.1 to Form 8-K filed on March 13, 2020\).*](#)
- 10.14 — [Protective Covenant Agreement between UPS and Carol Tomé, dated March 11, 2020 \(incorporated by reference to Exhibit 10.2 to Form 8-K filed on March 13, 2020\).*](#)
- 10.15 — [Form of Protective Covenant Agreement between UPS and each of Nando Cesarone and Kate Gutmann \(incorporated by reference to Exhibit 10.19 to Form 10-K for the year ended December 31, 2020\).*](#)
- 10.16 — [Retention Arrangement Letter between UPS and Nando Cesarone, dated April 15, 2020 \(incorporated by reference to Exhibit 10.20 to Form 10-K for the year ended December 31, 2020\).*](#)
- 10.17 — [Employment offer letter agreement between UPS and Bala Subramanian, dated May 24, 2022.*](#)
- 10.18 — [Protective Covenant Agreement between UPS and Bala Subramanian, dated May 24, 2022.*](#)
- 10.19 — [United Parcel Service, Inc. Key Employee Severance Plan \(incorporated by reference to Exhibit 10.1 to Form 8-K, filed on May 10, 2022\).*](#)
- 10.20 — [UPS Management Incentive Program Amended and Restated Terms and Conditions effective November 3, 2022.*](#)
- 10.21 — [UPS Management Incentive Program Amended and Restated Terms and Conditions effective January 1, 2023.*](#)
- 10.22 — [Retention Arrangement Letter between UPS and Kate Gutmann, dated April 15, 2020 \(incorporated by reference to Exhibit 10.21 to Form 10-K for the year ended December 31, 2020\).*](#)
- 10.23 — [UPS Long-Term Incentive Performance Program Amended and Restated Terms and Conditions effective as of March 25, 2021 \(incorporated by reference to Exhibit 10.1 to Form 10-Q for the quarter ended March 31, 2021\).*](#)
- 10.24 — [United Parcel Service, Inc. 2021 Omnibus Incentive Compensation Plan \(incorporated by reference to Annex A to the definitive proxy statement on Schedule 14A filed March 29, 2021\).*](#)
- 21 — [Subsidiaries.](#)

- 23 — [Consent of Deloitte & Touche LLP.](#)
- 31.1 — [Certificate of the Principal Executive Officer Pursuant to Rule 13a-14\(a\), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.](#)
- 31.2 — [Certificate of the Principal Financial and Accounting Officer Pursuant to Rule 13a-14\(a\), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.](#)
- 32.1 — [Certification of the Principal Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.](#)
- 32.2 — [Certification of the Principal Financial and Accounting Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.](#)
- 101 — The following financial information from the Annual Report on Form 10-K for the year ended December 31, 2022, formatted in Inline XBRL (Extensible Business Reporting Language): (i) the Consolidated Balance Sheets, (ii) the Consolidated Statements of Income, (iii) the Consolidated Statements of Comprehensive Income (Loss), (iv) the Consolidated Statements of Cash Flows and (v) the Notes to the Consolidated Financial Statements.
- 104 — Cover Page Interactive Data File - The cover page from this Annual Report on Form 10-K for the year ended December 31, 2022 is formatted in iXBRL (included as Exhibit 101).

(1) Filed in paper format.

* Management contract or compensatory plan or arrangement.

**UPS 401(k) SAVINGS PLAN
AMENDMENT AND RESTATEMENT
EFFECTIVE AS OF JANUARY 1, 2023**

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UPS 401(k) SAVINGS PLAN
EFFECTIVE AS OF JANUARY 1, 2023

PURPOSE

This UPS 401(k) Savings Plan ("Plan") was originally established effective as of July 1, 1988 to permit individuals not covered by a collective bargaining agreement who are employed by United Parcel Service of America, Inc. or another Employer Company to put money aside for retirement, on a pre-tax or after-tax basis, to supplement that which they will receive from Social Security and other pension or retirement plans in which they participate.

The Plan was amended and restated effective as of December 31, 2008 to merge the UPS Qualified Stock Ownership Plan with and into this Plan, to amend the Plan to provide for employer matching contributions, to amend for final Code § 415 regulations, and to amend the Plan for other general plan revisions.

The Plan was amended and restated effective as of January 1, 2014 to incorporate several amendments, to make revisions required by United States v. Windsor, 570 U.S. 12, 133 S. Ct. (2013), and to make certain other amendments.

The Plan was amended and restated effective July 1, 2016 to incorporate certain other changes, including the addition of the UPS Retirement Contribution, to make certain changes to the automatic enrollment feature, and to make certain other changes and amendments to the Plan.

The Plan was amended and restated effective January 1, 2017 to incorporate certain other changes to the Plan that as of the restatement date are intended to take effect on January 1, 2023, including expansion of the group eligible to receive the UPS Retirement Contribution, to implement a new UPS Transition Contribution, and to make certain other changes and amendments to the Plan.

The Plan is hereby amended and restated effective January 1, 2023 to incorporate certain other amendments and revisions as required by law.

Participants who earn an Hour of Service on or after the Effective Date shall be subject to the provisions of this Plan. All other Participants shall be subject to the terms and provisions of the Prior Plan.

The distribution of benefits for all Participants (whether employed by the Employer before or after the Effective Date) that had not yet commenced prior to the Effective Date of this amendment and restatement shall be governed by the provisions of this Plan.

ARTICLE I. DEFINITIONS

The following words and phrases have the following meanings:

Section 1.1 Account - means the aggregate of a Participant's Pre-Tax Contribution Account; After-Tax Contribution Account; Rollover Contribution Account; UPS Retirement Contribution Account; UPS Transition Contribution Account; SavingsPLUS Account; Roth Contribution Account, Top Heavy Account; and, Merged Account; established, respectively, under Articles III, IV and Appendix 14.3.

Section 1.2 Accounting Period - means the period beginning on the first day of each calendar quarter and ending on the last day of such quarter.

Section 1.3 Actual Contribution Percentage ("ACP") - means for each Participant who is eligible to make Pre-Tax Contributions at any time during the Plan Year, the ratio (expressed as a percentage) of (a) the sum of the After-Tax Contributions and the SavingsPLUS Contributions, if any, credited to his or her Account for such Plan Year to (b) his or her Compensation for the Plan Year.

Section 1.4 ACP Test - means the Code § 401(m) nondiscrimination test as described in Section 5.5.

Section 1.5 Actual Deferral Percentage ("ADP") - means for each Participant who is eligible to make Pre-Tax Contributions at any time during the Plan Year, the ratio (expressed as a percentage) of (a) the Pre-Tax Contributions with the meaning of Section 5.4(b) credited to his or her Account for such Plan Year to (b) his or her Compensation for the Plan Year.

Section 1.6 ADP Test - means the Code § 401(k) nondiscrimination test described in Section 5.4.

Section 1.7 Affiliate - means the Employer and any trade or business, whether or not incorporated, that is considered to be a single employer with the Employer under Code § 414(b), (c), (m) or (o). However, in applying Code § 414 solely for purposes of Appendix 5.2, the phrase "more than 50%" is substituted for the phrase "at least 80%" each place it appears in Code § 1563(a)(1).

Section 1.8 Affirmative Election - means an election (a) through the regular or pinless enrollment system for the Plan (i) to make, or not make, Pre-Tax Contributions, After-Tax Contributions, Catch-Up Contributions or Roth Contributions or (ii) to utilize the automatic escalation of Pre-Tax Contributions or (b) an Affirmative Investment Election as defined in Section 7.2(b).

Section 1.9 Affirmative Investment Election - means a Participant's election to direct his or her Account in accordance with Section 7.2(a).

Section 1.10 After-Tax Contribution - means a contribution to the Plan at the election of a Participant in accordance with Section 3.2 through payroll deduction that is includible in his or her gross income for federal income tax purposes.

Section 1.11 After-Tax Contribution Account - means the subaccount maintained as a part of a Participant's Account to show his or her interest attributable to the Participant's After-Tax Contributions and amounts attributable to after-tax contributions under another qualified plan transferred pursuant to a merger or other event described in Section 14.3 to the extent described in Appendix 14.3.

Section 1.12 Automatic Enrollment Deadline - means the Friday immediately following the 90th day following the later of his or her (i) Employment Commencement Date, (ii) Reemployment Commencement Date, or (iii) date of transfer into Eligible Employee status.

Section 1.13 Beneficiary - means the person or persons so designated in accordance with Section 9.6 by a Participant or by operation of this Plan to receive any Plan benefits payable on account of the death of such Participant.

Section 1.14 Board - means the Board of Directors and/or the Executive Committee of United Parcel Service of America, Inc.

Section 1.15 Break in Service - means an Eligibility Computation Period during which an individual does not complete more than 500 Hours of Service.

Section 1.16 Catch-Up Contributions - means an additional contribution to the Plan in accordance with Section 3.1(c) or, for Puerto Rico Employees, Section 3.1(d). Catch-Up Contributions may include Roth Contributions.

Section 1.17 Code - means the Internal Revenue Code of 1986, as amended, or any successor statute.

Section 1.18 Collectively Bargained Plan - means any plan (other than a multiemployer plan) that incorporates a cash or deferred arrangement as described in Code § 401(k) and is sponsored by the Employer pursuant to a collective bargaining agreement in effect between the Employer and any union, local or lodge of any union or any bargaining agent for any union which such union, local, lodge or bargaining agent and the Employer have provided that some or all of the employees in the bargaining unit shall be covered by such plan.

Section 1.19 Committee - means the administrative committee described in ARTICLE XIII.

Section 1.20 Disability - means a medically determinable physical or mental impairment as a result of which the Participant is disabled and qualified for disability benefits under (a) the United States Social Security Act, (b) a long term disability plan to which an Employer Company contributes or provides benefits for the Participant or (c) workers compensation laws.

Section 1.21 Eligible Compensation - means, unless otherwise specified in Appendix 14.3, for each Participant who is an Eligible Employee all compensation or wages payable to him or her for the Plan Year by reason of his or her employment (or deemed employment such as for an eligible leave of absence, paid vacation, military leave, etc.) by an Employer Company before any payroll deductions, but excluding:

(a) bonuses;

(b) amounts allocated or benefits paid under any employee benefit plan or program, whether or not the plan or program is subject to ERISA or the benefit paid thereunder is taxable (other than paid time off or discretionary days, Pre-Tax Contributions and salary reduction contributions made on behalf of an Employee to the UPS Flexible Benefits Plan or other plan described in Code § 125 and, amounts allocated under the UPS Deferred Compensation Plan, as amended from time to time, and/or the UPS Deferred Compensation Plan 2000);

(c) amounts payable under any incentive compensation plan or program (other than commissions, sales incentives, or lump sum awards paid as part of the merit increase process);

(d) MIP awards (other than the portion of a MIP award that a Participant may elect to have paid in the form of cash and only for purposes of determining that Participant's Pre-Tax Contributions and After-Tax Contributions);

(e) stock options;

(f) foreign service differentials;

(g) severance pay;

(h) expense reimbursements;

(i) grievance awards (other than back pay);

(j) fringe benefits;

(k) all compensation classified as "miscellaneous"; and

(l) tool allowance.

Eligible Compensation includes only "compensation" as defined in Code § 415(c)(3) and Section 3.2 of Appendix 5.2, Maximum Benefits.

The annual Eligible Compensation of each Participant taken into account under the Plan shall not exceed \$270,000, as adjusted for cost-of-living increases in accordance with Code § 401(a)(17)(B).

A Participant receiving a differential wage payment (as described in Code § 414(u)(12)) shall be treated as an employee of the Employer making the differential wage payment for purposes of this Plan and the differential wage payment shall be treated as Eligible Compensation.

Section 1.22 Eligible Employee - means any Employee other than an Employee:

- (a) whose terms and conditions of employment are governed by a collective bargaining agreement to which an Employer Company is a party, unless the collective bargaining agreement expressly provides for coverage under this Plan;
- (b) who is a nonresident alien receiving no earned income from an Employer Company from sources within the United States (as described more fully in Code § 410(b)(3)(C)); or
- (c) who is eligible to participate in any other Code § 401(k) cash or deferred arrangement maintained by an Employer Company (other than the Plan).

Members of the Board as such shall not be considered as Eligible Employees unless they also qualify as such pursuant to the preceding sentence. Under no circumstances will an individual who performs services for an Employer Company, but who is not an Employee as defined in Section 1.23, such as for example, an individual performing services for an Employer Company under a leasing arrangement, be treated as an Eligible Employee even if such individual is treated as an “employee” of an Employer Company as a result of common law principals or the leased employee rules under Code § 414(n). Further, if an individual performing services for an Employer Company is retroactively reclassified as an employee of an Employer Company for any reason (whether pursuant to court order, settlement negotiation, arbitration, mediation, government agency (e.g. IRS) reclassification or otherwise), such reclassified individual shall not be treated as an Eligible Employee for any period prior to the actual date (and not the effective date) of such reclassification unless an Employer Company determines that retroactive reclassification is necessary to correct a payroll classification error.

Section 1.23 Employee - means a person who is classified as an employee on the payroll of an Employer Company and who actually receives United States source income from employment for an Employer Company (or deemed employment, such as on account of eligible leave of absence). Without limiting the foregoing, the following categories of persons shall not be treated as Employees for purposes of the Plan even if they are classified as “employees” on the payroll of an Employer Company unless they receive (or are deemed to receive) income as an employee of an Employer Company in the United States: beneficiaries of Participants, consultants, contractors, offshore employees, and leased employees.

Section 1.24 Employer - means United Parcel Service of America, Inc.

Section 1.25 Employer Company - means the Employer, each corporation or entity listed in Appendix 1.25 and any of the following corporations or entities that adopt the Plan with the approval of the Board of Directors:

- (a) any domestic corporation or entity at least 90% of whose voting stock or voting interests are owned (directly or indirectly) by United Parcel Service, Inc.; and
- (b) any domestic corporation or entity at least 90% of whose voting stock is owned by any corporation or entity described in (a) above.

Section 1.26 Eligibility Computation Period - means the 12 consecutive month period beginning on an individual's Employment Commencement Date or Reemployment Commencement Date (or any anniversary of either such date) and ending on the date immediately preceding the anniversary of such date (or next succeeding anniversary of such date).

Section 1.27 Employment Commencement Date - means the date on which an individual first performs an hour of service, within the meaning of Labor Regulation § 2530.200b-2, with an Employer Company.

Section 1.28 Entry Date - means the date an Eligible Employee completes his or her first Hour of Service with an Employer Company.

Section 1.29 ERISA - means the Employee Retirement Income Security Act of 1974, as amended, or any successor statute.

Section 1.30 Excess Aggregate Contributions - means for any Plan Year the excess of:

- (a) the After-Tax Contributions and SavingsPLUS Contributions made by or on behalf of Highly Compensated Employees for a Plan Year over
- (b) the maximum permissible amount of such contributions for such Plan Year under Code § 401(m) as described in Section 5.5.

Section 1.31 Excess Contributions - means for any Plan Year the excess of:

- (a) the Pre-Tax Contributions made by or on behalf of Highly Compensated Employees for a Plan Year and which were taken into account in computing his or her Actual Deferral Percentage for such Plan Year over
- (b) the maximum permissible amount of such contributions permitted for such Plan Year under Code § 401(k) as described in Section 5.4.

Section 1.32 Fair Market Value - means:

- (a) for any asset other than UPS Stock, the fair market value of that asset as determined by the Trustee holding the asset,
- (b) For UPS Stock

(1) For any purpose other than determining the value of UPS Stock upon liquidation, the fair market value of a share of the Class B common stock of United Parcel Service, Inc. ("Class B Stock"), as determined in accordance with the following provisions:

(i) if shares of Class B Stock are listed on any established stock exchange or a national market system, the reported closing price for a share of Class B Stock as reported by such stock exchange or national market system with respect to its normal trading session or such other source as the Board deems reliable; or

(ii) if shares of Class B Stock are not listed on any established stock exchange or a national market system, the fair market value of a share of Class B Stock as determined by the Board in its sole and absolute discretion.

(2) For purposes of determining the value of UPS Stock upon liquidation on any trading day,

(i) If the UPS Stock is liquidated at a time when shares of Class B Stock are listed on any established stock exchange or a national market system, the average sales price of the UPS Stock sold by the Plan on that day; or

(ii) If the UPS Stock is liquidated at a time when shares of Class B Stock are not listed on any established stock exchange or a national market system, the fair market value of a share of Class B Stock as determined by the Board in its sole and absolute discretion.

Section 1.33 Highly Compensated Employee -

(a) General. The term "Highly Compensated Employee" means each Participant who is an Eligible Employee performing services for an Affiliate during the Plan Year and

(1) who at any time during the Plan Year or the preceding Plan Year was a 5% owner of an Affiliate (as defined in Code § 416(i)(1)(B)(I)), or

(2) who for the preceding Plan Year received Compensation in excess of \$120,000 (indexed in accordance with Code § 415(d)).

(b) Additional Rules.

(1) The determination of which Eligible Employees are Highly Compensated Employees is subject to Code § 414(q) and any regulations, rulings, notices or procedures under that Section.

(2) Employers aggregated under Code § 414(b), (c), (m) or (o) will be treated as a single employer for purposes of this Section 1.33.

Section 1.34 Hour of Service -

(a) General. The term “Hour of Service” means each hour for which an individual:

(1) is paid, or entitled to payment, for the performance of duties for an Affiliate;

(2) is paid, or entitled to payment (directly or indirectly) for periods during which no duties are performed due to vacation, holiday, illness, short-term disability or incapacity pursuant to which payments are received in the form of salary continuation or from a short-term disability plan or worker’s compensation plan sponsored by an Affiliate or to which an Affiliate contributes, layoff, jury duty, military duty which gives rise to reemployment rights under Federal law, or paid leave of absence (including a period where an employee remains on salary continuation during a period of illness or incapacity);

(3) is paid by an Affiliate for any reason an amount as “back pay,” irrespective of mitigation of damages; or

(4) is on an unpaid leave of absence, including (i) by reason of the pregnancy of the individual, (ii) by reason of the birth of a child of the individual, (iii) by reason of the placement of a child with the individual in connection with the adoption of such child by the individual or (iv) for purposes of caring for such child for a period beginning immediately following such birth or placement.

(b) Additional Rules. Notwithstanding the foregoing,

(1) An individual will earn Hours of Service credit without regard to whether such individual is treated as an “employee” of an Affiliate as a result of the application of common law principles or by operation of Code § 414(n).

(2) An individual will be credited with 190 Hours of Service for the performance of duties with respect to each regularly-scheduled calendar work month in which such individual would, under the rules described herein, have earned at least one Hour of Service.

Section 1.35 Investment Options - means the investment alternatives selected by the Committee pursuant to Section 7.1.

Section 1.36 Investment Manager - means a person (a) who is registered as an investment advisor under the Investment Advisers Act of 1940 (the "Act"), a bank, as defined in the Act, or an insurance company that, within the meaning of ERISA § 3(38), is qualified to manage, acquire and dispose of the assets of an employee benefit plan under the laws of more than one state, and (b) who is appointed as an investment manager.

Section 1.37 Merged Account - means the subaccount maintained as a part of a Participant's Account to show his or her interest attributable to amounts that have been transferred from another qualified plan pursuant to a merger or other transaction described in Section 14.3 and which are not allocated to his or her Pre-Tax Contribution Account, After-Tax Contribution Account, UPS Retirement Contribution Account, UPS Transition Contribution Account, SavingsPLUS Account, Roth Contribution Account or Rollover Contribution Account.

Section 1.38 MIP - means the UPS Management Incentive Program and the UPS International Management Incentive Program, each as in effect from time to time.

Section 1.39 Nonhighly Compensated Employee - means for each Plan Year each Participant who is an Eligible Employee performing services for an Affiliate during the Plan Year and who is not a Highly Compensated Employee.

Section 1.40 Participant - means (a) each Eligible Employee who satisfied the requirements for participation set forth in Section 2.1 and (b) each other person (other than an alternate payee as defined in Code § 414(p)(8) or a Beneficiary) for whom an Account is maintained as a result of contributions made under this Plan or amounts transferred to this Plan.

Section 1.41 Period of Service - means the period of time beginning on an individual's Employment Commencement Date or Reemployment Commencement Date, whichever is applicable, and ending on the date a Break in Service begins. A Period of Service of 12 months is equal to one full year of service.

Section 1.42 Plan - means this UPS 401(k) Savings Plan as set forth in this document and all subsequent amendments to this document.

Section 1.43 Plan Year - means the calendar year.

Section 1.44 Pre-Tax Contribution - means a contribution to the Plan at the election, or deemed election, of a Participant in accordance with Section 3.1, Pre-Tax Contributions and Section 3.3, Roth Contributions. However, the term "Pre-Tax Contributions" shall not include Roth Contributions for purposes of Sections 1.45, Pre-Tax Contribution Account; 3.1, Pre-Tax Contributions; or 9.8(c), Hardship Withdrawals.

Additionally, the following elective deferrals and Roth contributions will be treated as Pre-Tax Contributions for purposes of determining the SavingsPLUS Contribution (a) with respect to an individual who becomes eligible to make Pre-Tax Contributions under the Plan during any Plan Year as a result of his or her no longer being covered under a collective bargaining agreement, his or her elective deferrals (within the meaning of Code § 402(g)) and Roth contributions (within the meaning of Code § 402A) under a Collectively Bargained Plan prior to the latest date in such Plan Year on which he or she

became eligible to make Pre-Tax Contributions (other than elective deferrals and Roth contributions with respect to which a matching contribution (within the meaning of Code § 401(m)) of any amount was made under the Collective Bargaining Plan) and (b) with respect to an individual who was a Participant in a plan that merged into and became a part of the Plan who becomes eligible to make Pre-Tax Contributions as a result of a merger of that plan into the Plan, his or her elective deferrals (within the meaning of Code § 402(g)) and Roth contributions (within the meaning of Code § 402A) made under such merged plan in the Plan Year in which he or she first became eligible to make Pre-Tax Contributions.

Section 1.45 Pre-Tax Contribution Account - means the subaccount maintained as part of a Participant's Account to show his or her interest attributable to Pre-Tax Contributions and amounts attributable to pre-tax contributions under another qualified plan transferred pursuant to a merger or other transaction described in Section 14.3 to the extent provided in Appendix 14.3.

Section 1.46 Reemployment Commencement Date - means for an individual who has a Break in Service, an adjusted employment commencement date, which is the first date on which an individual performs an Hour of Service following a Severance from Employment.

Section 1.47 Regular Eligible Compensation - means Eligible Compensation excluding compensation for unused discretionary days and the portion of the MIP award that a Participant may elect to have paid in the form of cash.

Section 1.48 Rollover Contribution - means a contribution described in Section 3.7.

Section 1.49 Rollover Contribution Account - means the subaccount maintained as part of a person's Account to show his or her interest attributable to Rollover Contributions, and amounts attributable to rollover contributions under another qualified plan transferred pursuant to a merger or other transaction described in Section 14.3 to the extent provided in Appendix 14.3.

Section 1.50 Roth Contribution - means a contribution described in Section 3.3.

Section 1.51 Roth Contribution Account - means the subaccount maintained as part of a Participant's Account to show his or her interest attributable to Roth Contributions (including investment gains and losses on such contributions) and amounts attributable to Roth Contributions under another qualified plan transferred pursuant to a merger or other transaction described in Section 14.3 to the extent provided in Appendix 14.3.

Section 1.52 SavingsPLUS Contribution - means the SavingsPLUS Contribution in respect of a Participant's Pre-Tax Contributions.

Section 1.53 SavingsPLUS Account - means the subaccount maintained as a part of a Participant's Account to show his or her interest attributable to SavingsPLUS Contributions and amounts attributable to matching contributions under another qualified plan transferred pursuant to a merger or other transaction described in Section 14.3 to the extent provided in Appendix 14.3.

Section 1.54 Self-Managed Account - means an Investment Option that allows a Participant to invest directly in stocks, bonds or mutual funds of his or her choice subject to such rules as are established from time to time by the Committee.

Section 1.55 Severance from Employment - means the date on which an individual terminates employment with all Affiliates by reason of a voluntary quit, retirement, death, period of Disability of more than 52 weeks, discharge, failure to return from layoff or authorized leave of absence, or for any other reason (unless a grievance is pending) provided such separation constitutes a "severance from employment" within the meaning of Code § 401(k) and further provided that a Severance from Employment shall not occur with respect to any Participant as a result of a transaction if his or her new employer following the transaction agrees to assume this Plan or agrees to assume assets and liabilities of this Plan attributable to such Participant. A discharge will not be treated as a Severance from Employment while a grievance is pending but, if the discharge is upheld, will be treated as a Severance from Employment as of the date of the discharge.

A transfer from one Affiliate to another will not result in a Severance from Employment.

A discharge will not result in a Severance from Employment for any purpose while a grievance is pending but, if the discharge is upheld, the Severance from Employment will be the date of the discharge.

Section 1.56 Spouse means the person to whom a Participant is lawfully married as of the earlier of the date his or her benefit payments commence or death, provided that Spouse shall instead mean another Spouse of a Participant to the extent required by a qualified domestic relations order. Effective June 26, 2013, "Spouse" includes an individual married to a person of the same sex if the marriage was validly entered into in a state whose laws authorize such marriages, even if the married couple is domiciled in a state that does not recognize the validity of same-sex marriages. For this purpose, "state" means any domestic or foreign jurisdiction having the legal authority to sanction marriages. The Plan shall comply with any and all applicable legal requirements resulting from the holding of United States v. Windsor, 570 U.S. 12, (2013), including, without limitation, Rev. Rul. 2013-17, 2013-38 I.R.B. 201 and I.R.S. Notice 2014-19, 2014-17 I.R.B. 979. For the avoidance of doubt, the term "Spouse" shall not include individuals (whether of the opposite sex or same sex) who have entered into a registered domestic partnership, civil union, or other similar formal relationship recognized under state law that is not denominated as a marriage under the laws of the state. Prior to June 26, 2013, the term "Spouse" included a person of the same sex as the Participant if such person or the Participant presented the Committee with a valid marriage certificate for the Participant and such person from a state in which same sex marriage was sanctioned and such person was treated as the Participant's Spouse on a prospective basis.

Section 1.57 Top-Heavy Account - means the subaccount maintained as a part of a Participant's Account to show his or her interest attributable to Top-Heavy Contributions.

Section 1.58 Top-Heavy Contributions - means the contribution described in Section 4.4.

Section 1.59 Trust Fund - means the assets held by the Trustee under this Plan.

Section 1.60 Trustee or Trustees - means the banks, trust companies or other financial institutions with trust powers acting from time to time as trustees for the Trust Funds pursuant to ARTICLE XI.

Section 1.61 UPS Stock - means the Class A common stock of United Parcel Service, Inc.

Section 1.62 UPS Stock Fund - means the Investment Option invested primarily in UPS Stock.

Section 1.63 UPS Retirement Contribution - means the nonelective Employer contribution to eligible Participants, as described in Section 4.2.

Section 1.64 UPS Retirement Contribution Account - means the subaccount maintained as a part of a Participant's Account to show his or her interest attributable to UPS Retirement Contributions.

Section 1.65 UPS Retirement Contribution Years of Service - means the number of years of service determined as of the last day of the Plan Year and used for purposes of calculating the UPS Retirement Contribution as described in Section 4.2, calculated as follows:

(a) For periods prior to January 1, 2017, a Participant was credited with one UPS Retirement Contribution Year of Service for each year of employment as an Employee with an Employer Company starting from such Participant's original Employment Commencement Date.

(b) For the Plan Year beginning January 1, 2017, a Participant shall generally be credited with one UPS Retirement Contribution Year of Service for each year of employment as an Employee with an Employer Company starting as of such Participant's most recent Employment Commencement Date, Reemployment Commencement Date or date of transfer from ineligible to Eligible Employee status. Any periods of service prior to the Participant's most recent Employment Commencement Date, Reemployment Commencement Date or date of transfer from ineligible to Eligible Employee status shall not be taken into account in determining such a Participant's UPS Retirement Contribution Years of Service.

(c) For Plan Years beginning on or after January 1, 2018, a Participant shall generally be credited with one UPS Retirement Contribution Year of Service for each year of employment as an employee on the payroll of any entity that is part of a controlled group of corporations that includes the Employer (herein a "Group Employer"), regardless of whether a (i) the employee was or is an Eligible Employee, (ii) the Group Employer was or is an Employer Company, (iii) the Group Employer was or is a U.S. domestic entity or (iv) the Group Employer participated or

participates in UPS Retirement Contributions under Appendix 4.2. Additionally, the following shall apply:

- (1) UPS Retirement Contribution Years of Service shall only take into account periods of employment since the employee's most recent date of hire or rehire by a Group Employer. Periods of employment prior to the employee's most recent date of hire or rehire by a Group Employer shall be disregarded. For purposes of this provision and for clarification, if an employee transfers from an ineligible status to an eligible status (or the reverse), this shall not constitute a hire or rehire and shall not interrupt the calculation of UPS Retirement Contribution Years of Service.
- (2) Periods of service with an employer prior to the date that such employer became a Group Employer shall not be taken into account in determining a Participant's UPS Retirement Contribution Years of Service.

For clarification, paragraph (c) shall only apply to determining the number of UPS Retirement Contribution Years of Service a Participant receives, and no person who is not a Participant shall be credited with any UPS Retirement Contribution Years of Service. Additionally, nothing in this paragraph (c) shall modify or amend the eligibility conditions to receive the UPS Retirement Contribution, as set forth in Section 4.2 of the Plan.

This paragraph (c) shall also apply to UPS Retirement Contributions based on service during 2017 but credited to the Plan in 2018.

Section 1.66 UPS Transition Contribution - means the nonelective Employer contribution to eligible Participants, as described in Section 4.3.

Section 1.67 UPS Transition Contribution Account - means the subaccount maintained as a part of a Participant's Account to show his or her interest attributable to UPS Transition Contributions.

Section 1.68 UPS Transition Contribution Eligible Compensation - means, for each Participant who is an Eligible Employee, the:

(a) Participant's Eligible Compensation, as defined in Section 1.21, plus

the sum of (a) the value of the ownership incentive award under the UPS Management Incentive Program ("MIP") or the UPS International Management Incentive Program ("IMIP") transferred to or on behalf of the Participant in that Plan Year and (b) the value of the Participant's Performance Incentive Award transferred to or on behalf of the Participant in that Plan Year not in excess of the Performance Incentive Award Limit (as described in Appendix 1.68). The value of an award under the MIP or IMIP in any Plan Year shall be equal to the gross amount (in U.S. dollars) of the award transferred to or on behalf of the Participant in that Plan Year without regard to whether the award is paid in cash, shares of Class A common stock, restricted performance units, or deferred under another retirement plan. In the case of both (a) and (b) above, only amounts attributable to a period for which the Participant is employed as an Employee by an Employer Company that participates in UPS Transition Contributions (as set forth in Appendix 4.3) shall be counted as UPS Transition Contribution Eligible Compensation.

Section 1.69 UPS Transition Contribution Participant means a Participant who, on December 31, 2022, (A) was a Participant in the UPS Retirement Plan, (B) was actively accruing a benefit under a Final Average Compensation Formula (as defined in the UPS Retirement Plan), (C) was not accruing a Portable Account Benefit (as defined in the UPS Retirement Plan), (D) was not employed by an RPA-5 Employer Company as identified on appendices F-3, F-4, and F-5 in the UPS Retirement Plan (and not a Grandfathered Participant as defined in the UPS Retirement Plan), and (E) had his or her Final Average Compensation Formula accruals frozen under the UPS Retirement Plan. A Participant who as of December 31, 2022 is described as an Eligible International Service Participant in the UPS Excess Coordinating Benefit Plan (listed in Appendix 4.3A) shall also be a UPS Transition Contribution Participant. A Participant described in this section who, after December 31, 2022, experiences a Severance from Employment or is transferred from Eligible Employee to ineligible status and is subsequently rehired or is transferred from ineligible to Eligible Employee status shall no longer be a UPS Transition Contribution Participant for any period after such Participant's Reemployment Commencement Date or transfer date.

Notwithstanding the foregoing, a Participant who otherwise satisfies the eligibility criteria of this section 1.69 and who has Eligible Compensation of \$240,000 or more as of the last day of the immediately preceding Plan Year shall not be a UPS Transition Contribution Participant. Such person shall remain ineligible to be a UPS Transition Contribution Participant even if his or her Eligible Compensation falls below that threshold in subsequent Plan Years. The UPS Transition Contribution amount the Participant would otherwise receive will be contributed to the UPS Restoration Savings Plan.

Section 1.70 VRU - means the automated voice response unit or any other voice or electronic medium maintained for the purpose of effecting communications under the Plan.

ARTICLE II. PARTICIPATION

Section 2.1 General. Each Eligible Employee will become a Participant on the Entry Date coinciding with or immediately following his or her completion of an Hour of Service as an Eligible Employee.

Section 2.2 Application to Participate. Each Participant who is an Eligible Employee may enroll in the Plan by making an affirmative election to make a contribution to the Plan under Article III in accordance with procedures prescribed by the Committee or by being deemed to have elected to make a Pre-Tax Contribution under Section 3.1(b). The Committee shall promptly process the Participant's enrollment and confirm the enrollment of such Participant and his or her elections to make contributions.

Section 2.3 Transfers.

(a) Transfer to Position Not Covered by Plan. If a Participant loses his or her status as an Eligible Employee because he or she is transferred to an Affiliate that is not an Employer Company or because he or she is transferred to a position with an Employer Company that is not an Eligible Employee position, he or she shall cease to be eligible to make any contributions under this Plan pursuant to Article III, but his or her Account shall continue to be maintained under this Plan until he or she receives a distribution of his or her entire Account or such Account is transferred to another qualified plan.

(b) Transfer of Account from Another Employer Company Plan. This Section 2.3(b) will be effective on and after the date it is activated by the Committee. To the extent provided in Appendix 2.3 (which will be written and amended by or at the direction of the Committee), the Committee may permit the contribution of funds to a Participant's Account which represent the transfer of his or her account from any other § 401(k) cash or deferred arrangement maintained by an Employer Company. Such funds shall be transferred in accordance with procedures established by the Committee and shall be held in the appropriate subaccount.

Section 2.4 Correction. If the Committee discovers that an individual it determined to be a Participant is in fact not a Participant, the Committee will as soon as practicable after such discovery make such corrections or refunds as it deems appropriate. If the Committee discovers that a Participant was not treated as covered under the Plan, the Committee as soon as practicable will take such action as it deems appropriate and proper under the circumstances.

Section 2.5 Reemployment. If a Participant has a Severance from Employment, he or she will again become eligible to make contributions under this Plan pursuant to Article 2.1.

Section 2.6 Not a Contract of Employment. This Plan is intended only to encourage Eligible Employees to save for their retirement. This Plan is not a contract of employment. Thus, participation in this Plan will not give any person either the right to be retained as an employee or, upon such person's termination of employment, the right to any interest in the Trust Funds other than his or her interest as expressly set forth in this Plan.

ARTICLE III. EMPLOYEE CONTRIBUTIONS, ROLLOVER CONTRIBUTIONS AND TRANSFERS

Section 3.1 Pre-Tax Contributions.

(a) Voluntary Elections. Subject to the rules and limitations in this Section 3.1 and in Article 5, each Participant who is an Eligible Employee (other than an Eligible Employee employed in Puerto Rico) may elect to make Pre-Tax Contributions through authorizing the pre-tax payroll deduction of:

- (1) from 1% to 50% (35% for Eligible Employees employed in Puerto Rico), in 1% increments, of his or her Regular Eligible Compensation for each pay period;
- (2) from 1% to 100%, in 1% increments, of his or her Eligible Compensation attributable to his or her discretionary days pay off;
- (3) from 1% to 100%, in 1% increments, of the portion of his or her Eligible Compensation attributable to the portion of his or her MIP award that he or she may elect to have paid in the form of cash (less amounts withheld for FICA and Medicare taxes); and
- (4) from 1% to 100%, in 1% increments, of the portion of his or her Eligible Compensation attributable to sales incentive program bonus payments.

Roth Contributions and Pre-Tax Contributions combined may not exceed 50% (35% for Eligible Employees employed in Puerto Rico) of his or her Regular Eligible Compensation for any pay period.

(b) Deemed Enrollment and Automatic Annual Increases.

(1) Deemed Enrollment Election.

(i) Deemed Enrollment. Subject to the rules and limitations in this Section 3.1 and in Article V, and unless otherwise specified in Appendix 14.3, each Participant shall be deemed to have made an election to have his or her Employer Company make Pre-Tax Contributions on his or her behalf in an amount equal to the Default Enrollment Percentage (described below) of Eligible Compensation per payroll period. Notwithstanding the forgoing, a Participant shall not be deemed to have made a Pre-Tax Contribution election in the amount of the

Default Enrollment Percentage if he or she makes an Affirmative Election before the Automatic Enrollment Deadline. For Participants hired before July 1, 2016, the Default Enrollment Percentage shall be 3% of Eligible Compensation. For Participants with an Employment Commencement Date, Reemployment Commencement Date, or a transfer from ineligible to Eligible Employee status, on or after July 1, 2016, the Default Enrollment Percentage shall be 6% of Eligible Compensation.

(ii) Effective Date of Deemed Enrollment. The deemed Pre-Tax Contribution payroll deduction election will be effective as soon as administratively practicable following the applicable Automatic Enrollment Deadline and will continue while he or she remains an Eligible Employee unless and until he or she (i) makes an Affirmative Election, (ii) has the maximum amount of Pre-Tax Contributions for such Plan Year (taking into account the maximum Catch-Up Contributions for such Participant, if applicable) deducted, (iii) becomes ineligible to participate in the Plan (iv) has a deemed annual increase in Pre-Tax Contributions pursuant to Section 3.1(b)(2), or (v) takes a hardship withdrawal under Section 9.8(c).

(2) Deemed Annual Increase Election. A Participant who is deemed to have made a Pre-Tax Contribution deferral election pursuant to Section 3.1(b)(1), has not made an Affirmative Election and remains an Eligible Employee, shall also be deemed to have elected to increase his or her Pre-Tax Contributions in 1% increments in each Plan Year following the Plan Year of automatic enrollment up to a maximum deferral rate of 15% of Eligible Compensation. Note that previously, the maximum deferral rate for this deemed annual increase election was 10%, but effective January 1, 2023, the maximum shall be increased to 15% and all Participants deemed to have made a Pre-Tax Contribution deferral election pursuant to 3.1(b)(1) shall have the new maximum deferral rate for these purposes applied to their deemed Pre-Tax Contribution deferral election. Any Participant who previously had a 10% maximum deferral rate shall be deemed to have elected to increase his or her Pre-Tax Contributions in 1% increments up to the 15% maximum deferral rate in accordance with the procedures set forth in this paragraph. The automatic annual increase will be effective in each Plan Year following the Plan Year of automatic enrollment on the first Friday in March for Eligible Employees who are considered for a merit increase in March and on the first Friday in June for all other Eligible Employees. The automatic annual increase will continue while he or she is an Eligible Employee until he or she (i) makes an Affirmative Election, (ii) becomes ineligible to participate in the Plan or (iii) takes a hardship withdrawal under Section 9.8(c).

(3) Notice of Deemed Elections. Within a reasonable period following an Eligible Employee's Employment Commencement Date, Reemployment Commencement Date or transfer from ineligible to Eligible Employee status and before the applicable Automatic Enrollment Deadline, the Committee shall provide each Eligible Employee with a notice informing him or her of his or her rights and obligations under this Section 3.1(b) including the following: (1) his or her right to make an Affirmative Election to change the deemed percentage (including 0%), (2)

how the Pre-Tax Contributions will be invested in the absence of an Affirmative Election and his or her right to change such election, and (3) the procedures for making any such elections. The Committee shall provide each Eligible Employee who has not made an Affirmative Election with a similar notice within a reasonable period prior to each subsequent Plan Year.

(c) Catch-Up Contributions. Subject to the rules and limitations in this Section 3.1 and in Article 5 except as otherwise provided, each Participant who is an Eligible Employee (other than an Eligible Employee employed in Puerto Rico) who will attain age 50 or older before the close of the Plan Year shall be eligible to make Catch-Up Contributions, in 1% increments, from 1% to 35% of his or her Regular Eligible Compensation and in accordance with, and subject to the limitations of Code § 414(v). Additionally, each Participant who is an Eligible Employee (other than an Eligible Employee employed in Puerto Rico) who will attain age 50 before the close of the Plan Year shall be eligible to make Catch-Up Contributions in 1% increments from 1% to 100% of the portion of his or her MIP award payable in the form of cash (less amounts withheld for FICA and Medicare taxes). Such Catch-Up Contributions shall not be taken into account for purposes of the provisions of the Plan implementing the required limitations of Code §§ 402(g) and 415. The Plan shall not be treated as failing to satisfy the provisions of the Plan implementing the requirements of Code §§ 401(k)(3), 410(b), or 416, as applicable, by reason of the making of such Catch-Up Contributions. Catch-Up Contributions shall be treated as Pre-Tax Contributions for purposes of Sections 3.5, 3.6, 3.7, 6.2 and Article VII. Catch-Up Contributions shall be credited to a Participant's Pre-Tax Contribution Account unless the Committee determines that such contributions (and investment gains or losses on such contributions) should be credited to a separate subaccount.

(d) An election under this Section 3.1 must be made via VRU or in accordance with such other procedures prescribed by the Committee. A participant may make an election to begin making Pre-Tax Contributions on any business day that coincides with or follows the date he or she becomes a Participant. A Participant's initial payroll deduction contribution election will be effective for the first pay period beginning after his or her election is processed and will continue while the Participant is an Eligible Employee until the Participant changes his or her election in accordance with Section 3.4 or suspends his or her contributions in accordance with Section 3.5.

The Committee has the right at any time unilaterally to reduce prospectively the amount or percentage of Pre-Tax Contributions elected by any Participant who is a Highly Compensated Employee or by all Highly Compensated Employees as a group if it determines that reduction is appropriate in light of the limitations under Section 5.4.

(e) Accounts. The Pre-Tax Contributions elected by a Participant under Sections 3.1 will be credited to such Participant's Pre-Tax Contribution Account.

Section 3.2 After-Tax Contributions.

(a) General. Subject to the rules and limitations in this Section 3.2 and in Article 5, each Participant who is an Eligible Employee may make After-Tax Contributions through authorizing the after-tax payroll deduction of 1% to 10% (in 1% increments) of his or her Regular Eligible Compensation for each pay period. Effective January 1, 2023, no Participant with Eligible Compensation of \$150,000 or more as of the last day of the preceding Plan Year shall be eligible to make After-Tax Contributions. Once a Participant meets this criteria, he or she will not be eligible to make After-Tax Contributions even if his or her Eligible Compensation falls below that threshold in a subsequent Plan Year. For the first Plan Year in which this compensation amount is exceeded, the restriction will be implemented as soon as administratively practicable following the end of the Plan Year with the Eligible Compensation in excess of \$150,000.

Such election must be made via VRU or in accordance with such other procedures prescribed by the Committee. A Participant who is an Eligible Employee may elect to begin making After-Tax Contributions on any business day that coincides with or follows the date he or she becomes a Participant. A Participant's initial contribution election will be effective for the first pay period beginning after his or her election is processed and will continue while the Participant is an Eligible Employee until the Participant changes his or her election in accordance with Section 3.4.

The Committee has the right at any time unilaterally to reduce prospectively the amount or percentage of After-Tax Contributions elected by any Highly Compensated Employee or by all Highly Compensated Employees as a group if it determines that reduction is appropriate in light of the limitations under Section 5.5. Effective January 1, 2022, no Participant may contribute more than \$19,000 in After-Tax Contributions in any Plan Year.

(b) Accounts. The After-Tax Contributions elected by a Participant under Section 3.2(a) will be credited to such Participant's After-Tax Contribution Account.

Section 3.3 Roth Contributions. Subject to the rules and limitations in Article 5, each Participant who is an Eligible Employee (other than an Eligible Employee employed in Puerto Rico) shall be eligible to make Roth Contributions in:

- (a) 1% increments from 1% to 50% of his or her Regular Eligible Compensation for each pay period;
- (b) 1% increments from 1% to 100% of his or her Eligible Compensation for unused discretionary days off each pay period; and
- (c) 1% increments from 1% to 100% of his or her Eligible Compensation from sales incentive program bonus payments.

All Roth Contributions shall be and are made in accordance with and subject to the limitations of Code Section 402A. The sum of Roth Contributions and Pre-Tax Contributions may not exceed 50% of Eligible Compensation for any pay period. Roth Contributions shall be credited to a Participant's Roth Contributions Account.

Section 3.4 Changes in Contribution Elections.

(a) General. A Participant who is an Eligible Employee may make an election to change the type or rate of his or her contributions on any business day via VRU or in accordance with such other procedures prescribed by the Committee. Such change in the rate or type of contributions will be effective for the first pay period beginning after his or her election is processed.

(b) Voluntary Suspension. A Participant may suspend his or her contributions made pursuant to this Article III at any time via VRU or in accordance with such other procedures prescribed for such purpose by the Committee. A Participant's suspension will be effective for the first pay period beginning after his or her election is processed. Thereafter, the Participant who is an Eligible Employee may make an election to resume contributions in accordance with Sections 3.1, 3.2 or 3.3.

(c) Change in Eligibility Status. A Participant's contributions shall automatically stop when he or she ceases to be an Eligible Employee. If a Participant's status thereafter changes to an Eligible Employee (whether by reemployment or otherwise), he or she may make a new election or will be deemed to have made an election to make contributions in accordance with Sections 3.1, 3.2 or 3.3.

(d) Hardship Withdrawal. Effective January 1, 2020, a Participant will not be treated as if he or she had elected to completely suspend all contributions for the 6-month period following a hardship withdrawal in accordance with Section 9.8(c), and a Participant who was not making any contributions at the time of the withdrawal will be allowed to elect to resume making contributions.

(e) Leave of Absence. A Participant's contributions will continue to be deducted during any period of paid leave of absence, provided he or she continues to be classified as an Eligible Employee during the leave and continues to be paid through an Employer Company payroll. However, a Participant's contributions will be suspended during any period of leave of absence if the Eligible Employee is not paid through an Employer Company payroll and not classified as an Employee on an Employer Company's payroll. Payroll deductions automatically will resume as soon as administratively practicable after the Participant's resumption of active employment as an Eligible Employee in accordance with the Participant's election (or deemed election) in effect immediately prior to his or her unpaid leave unless the Participant files an election to suspend contributions to change his or her rate of contributions in accordance with Section 3.4.

Section 3.5 Payment of Contributions to Trustee. All Participant contributions under this Article III will be paid to the Trustee as soon as practicable after the related payroll deductions are made and, in any event, by the deadlines, if any, established for making those payments under ERISA or the Code.

Section 3.6 Rollovers from Qualified Plans or Conduit IRAs.

(a) A Participant may contribute to the Plan an amount consisting of an "eligible rollover distribution" (as defined below) from another qualified retirement plan, or "a transfer from a conduit IRA," (as defined below) (each, a "Rollover Contribution") provided that the contribution shall not jeopardize the qualification of the Plan or the tax-exempt status of the Trust Funds or create adverse tax consequences for the Employer. A Participant who has incurred a Severance from Employment may make a Rollover Contribution to the Trust Fund in accordance with this Section 3.6(a), provided that the Participant has not otherwise received a distribution of his or her Account pursuant to Section 9.2 and the Participant's Account balance exceeds one thousand dollars (\$1,000). Additionally, the Roth Contribution Account shall be treated as a separate plan for purposes of determining whether a Participant has an Account balance that exceeds one thousand dollars (\$1,000).

(b) Any such Rollover Contribution shall at all times be fully vested and nonforfeitable. Such contribution shall be held in a subaccount under the Participant's Account (the "Rollover Contribution Account").

(c) For purposes of this Section 3.6, an "eligible rollover distribution" means:

(1) an eligible rollover distribution, within the meaning of Code § 402, which is transferred to this Plan by the Participant no later than sixty (60) days following the date on which the Participant received the distribution from another qualified retirement plan; or

(2) an eligible rollover distribution, within the meaning of Code § 402, which is transferred to this Plan directly by another qualified retirement plan at the Participant's direction pursuant to Code § 401(a)(31).

In the case of an eligible rollover distribution described in § 3.7(c)(1) above, the Participant may contribute an amount equal to the gross amount of the distribution, notwithstanding that a portion of the distribution may have been subject to mandatory income tax withholding.

(d) For purposes of this Section 3.6, "a transfer from a conduit IRA" means: an amount transferred to this Plan within sixty (60) days of the Participant's receipt of distribution thereof, from an individual retirement account or annuity ("IRA") to which no contributions have been made from any source other than amounts which were previously distributed to the Participant as an eligible rollover distribution from another qualified retirement plan subject to Code § 401(a), and which were deposited in such IRA within sixty (60) days of such prior distribution.

(e) After-tax employee contributions and loans distributed from a qualified retirement plan, annuity contract or IRA may not be contributed to the Plan under this Section 3.6.

(f) Notwithstanding anything in this Plan to the contrary, in no event shall an "eligible rollover distribution" include any amounts distributed from a designated Roth account (as defined in Treasury Regulation § 1.402A-1, Q&A-1) or a Roth IRA (as defined in Treasury Regulation § 1.408A-8, Q&A-1).

Section 3.7 UPS Ground Freight, Inc. Effective for pay periods beginning on or after April 25, 2021, no Pre-Tax Contributions, Roth Contributions or After-Tax Contributions will be permitted under the Plan for Eligible Employees whose Employer Company is UPS Ground Freight, Inc.

ARTICLE IV. EMPLOYER CONTRIBUTIONS

Section 4.1 SavingsPLUS Contribution.

(a) Subject to the rules and limitations set forth in this Section 4.1 and in Article 5, an Employer Company shall make the following SavingsPLUS Contribution, if any, for each Accounting Period (unless otherwise specified in Appendix 14.3) on behalf of each Participant who was employed as an Eligible Employee by such Employer Company on the last day of the Accounting Period and each Participant whose last employment as an Eligible Employee was with such Employer Company during the Accounting Period.

Effective for SavingsPLUS Contributions made prior to January 1, 2023, the SavingsPLUS Contribution made on behalf of each Participant described in this Section 4.1(a) shall be equal to:

A minus B where:

“A” equals a matching percentage of the Participant’s Pre-Tax Contributions, as specified in Appendix 4.1.

“B” equals the SavingsPLUS Contribution and the matching contribution (within the meaning of Code § 401(m)) under a Merged Plan previously made by any Employer Company with respect to him or her during such Plan Year.

Effective for Savings PLUS Contributions made on or after January 1, 2023, the SavingsPLUS Contribution made on behalf of each Participant described in this Section 4.1(a) shall be equal to:

A minus B where:

“A” equals a matching percentage of the Participant’s Pre-Tax Contributions and After-Tax Contributions, as specified in Appendix 4.1.

“B” equals the SavingsPLUS Contribution and the matching contribution (within the meaning of Code § 401(m)) under a Merged Plan previously made by any Employer Company with respect to him or her during such Plan Year.

No SavingsPLUS Contributions will be made with respect to any Catch-Up Contributions (unless such contributions are reclassified as Pre-Tax Contributions).

(b) No SavingsPLUS Contributions on Refunds. No SavingsPLUS Contributions will be made with respect to any Pre-Tax Contributions that are refunded by the Plan or a Collectively Bargained Plan to satisfy Code § 401(k), § 402(g) or § 415. If it is determined that any portion of the SavingsPLUS Contributions credited to a Participant's SavingsPLUS Account is attributable to refunded Pre-Tax Contributions, an amount equal to the value of the SavingsPLUS Contribution attributable to refunded Pre-Tax Contributions automatically will be deducted from the Participant's SavingsPLUS Account and will be treated as a forfeiture.

(c) Allocation. The SavingsPLUS Contribution, if any, made on behalf of each Participant will be credited to his or her SavingsPLUS Account as of the last day of each Accounting Period, unless otherwise specified in Appendix 14.3.

Section 4.2 UPS Retirement Contribution.

(a) UPS Retirement Contribution. Each Employer Company will make a nonelective cash contribution, referred to herein as the “UPS Retirement Contribution,” to the UPS Retirement Contribution Account of each Participant who meets the eligibility requirements of Section 4.2(c).

(b) Amount of UPS Retirement Contribution. The amount of the UPS Retirement Contribution for each Participant shall be the percentage of the Participant’s Eligible Compensation for the Plan Year specified in Appendix 4.2.

(c) Eligibility. To be eligible to receive a UPS Retirement Contribution for a given Plan Year, the Participant must satisfy (i), (ii) and (iii) below (must satisfy only (ii) and (iii) for any Plan Year starting on or after January 1, 2023):

(i) If the Plan Year starts before January 1, 2023, the Participant must have an Employment Commencement Date, Reemployment Commencement Date, or be transferred from ineligible to Eligible Employee status, on or after July 1, 2016, and

(ii) The Participant must work for an Employer Company that participates in UPS Retirement Contributions, as described in below:

- (A) For Plan Years beginning before January 1, 2018, the Participant must be actively employed by an Employer Company that participates in UPS Retirement Contributions (as specified in Appendix 4.2) on the last day of the Plan Year. If the Participant is not employed by an Employer Company on the last day of the Plan Year for any reason (including death, Disability, leave of absence, or retirement, etc.), or if the Participant is employed by an Employer Company that does not participate in UPS Retirement Contributions on the last day of the Plan Year, the Participant shall not be eligible for a UPS Retirement Contribution for that Plan Year.
- (B) For Plan Years beginning on or after January 1, 2018, the Participant must be actively employed by an Employer Company that participates in UPS Retirement Contributions (as specified in Appendix 4.2) during the Plan Year. In the event that, during a Plan Year (but prior to the last day of a Plan Year), a Participant has a Severance from Employment, is transferred from Eligible Employee to ineligible status, or is transferred to an Employer Company that does not participate in UPS Retirement Contributions, such Participant shall remain eligible for the UPS Retirement Contribution for that Plan Year, but only for such portion of the Plan Year that the Participant was employed as an Employee by an Employer

Company that participates in UPS Retirement Contributions.

(iii) The Participant is not (a) any person assigned to Overnite's or UPS Freight's Special Services Division or OMC Logistics who either (1) first became an employee of Overnite on or after September 1, 2002, or (2) has a termination of employment and was re-employed as an employee on or after September 1, 2002, without retaining credit for years of vesting service and years of benefit service under the UPS Retirement Plan that was completed prior to such termination of employment, or (b) any person employed by Overnite or UPS Freight who is classified as a "work at home customer service employee."

(d) Vesting and Forfeitures. A Participant shall vest in such Participant's UPS Retirement Contributions in accordance with Article VIII. Any forfeitures applicable to UPS Retirement Contributions shall be treated and used as described in Article VIII.

Section 4.3 UPS Transition Contribution.

(a) UPS Transition Contribution. Effective for Plan Years starting on or after January 1, 2023, each Employer Company will make a nonelective cash contribution, referred to herein as the "UPS Transition Contribution," to the UPS Transition Contribution Account of each Participant who meets the eligibility requirements of Section 4.3(c).

(b) Amount of UPS Transition Contribution. The amount of the UPS Transition Contribution for each Participant shall be 5% of the Participant's UPS Transition Contribution Eligible Compensation for each Plan Year starting on or after January 1, 2023 and prior to January 1, 2028 and 7% of the Participant's UPS Transition Contribution Eligible Compensation for each Plan Year starting on or after January 1, 2028. No UPS Transition Contribution shall be made for any Plan Year starting before January 1, 2023.

(c) Eligibility. To be eligible to receive a UPS Transition Contribution for a given Plan Year, the Participant must satisfy (i) through (iii) below:

(i) The Participant is a UPS Transition Contribution Participant during such Plan Year;

(ii) The Participant must be actively employed by an Employer Company that participates in UPS Transition Contributions (as specified in Appendix 4.3) during the Plan Year. In the event that, during a Plan Year (but prior to the last day of a Plan Year), a Participant has a Severance from Employment, is transferred from Eligible Employee to ineligible status, or is transferred to an Employer Company that does not participate in UPS Transition Contributions, such Participant shall remain eligible for the UPS Transition Contribution for that Plan Year, but only for such portion of the Plan Year that the Participant was employed as an Employee by an Employer Company that participates in UPS Transition Contributions.

(iii) The Participant is not (a) any person assigned to Overnite's or UPS Freight's Special Services Division or OMC Logistics who either

(1) first became an employee of Overnite on or after September 1, 2002, or (2) has a termination of employment and was re-employed as an employee on or after September 1, 2002, without retaining credit for years of vesting service and years of benefit service under the UPS Retirement Plan that was completed prior to such termination of employment, or (b) any person employed by Overnite or UPS Freight who is classified as a “work at home customer service employee.”

Section 4.4 Top Heavy Contribution. As of the last day of each Plan Year, a determination will be made on whether this Plan is top-heavy as described in Section 15.9 and, if this Plan is top-heavy, the Employer Companies will contribute such amounts, if any, as are necessary to satisfy minimum top-heavy allocation requirements. Any such contributions will be credited as of the last day of such Plan Year to the affected Participants' Top Heavy Account.

Section 4.5 Form and Time of Certain Employer Contributions.

(a) The SavingsPLUS Contribution may be made in cash or UPS Stock or in any combination of cash and UPS Stock, as determined by the Employer. Effective for SavingsPLUS Contributions made for Accounting Periods beginning on or after January 1, 2023, such contributions shall be made in cash. An Employer Company may make SavingsPLUS Contributions for any Accounting Period in installments at any time during the Accounting Period (or such other period specified in Appendix 14.3). An Employer Company may make the Employer contributions called for under this Article IV at any time during the Plan Year or in the following year before the due date (after taking any extensions into account) for filing the Employer Company's federal income tax return for such Plan Year.

(b) UPS Retirement Contributions shall be credited to the eligible Participant's UPS Retirement Contribution Account and UPS Transition Contributions shall be credited to the eligible Participant's UPS Transition Contribution Account in the form of a cash contribution. The Employer shall generally make UPS Retirement Contributions and UPS Transition Contributions once per Plan Year, as soon as practicable following the end of the Plan Year, provided however that the Employer reserves the right to make each such contribution more frequently or at any time during the Plan Year or in the following year before the due date (after taking any extensions into account) for filing the Employer Company's federal income tax return for such Plan Year.

Section 4.6 Responsibility to Make Employer Contributions. The Employer in its absolute discretion may choose to make the employer contributions called for under this ARTICLE IV on behalf of all of the Employer Companies and to charge each Employer Company with its allocable portion of the contributions in accordance with those procedures the Employer in its absolute discretion deems appropriate.

ARTICLE V. LIMITATIONS ON CONTRIBUTIONS AND ALLOCATIONS

Section 5.1 Order. The allocation of contributions made under this Plan (other than Rollover Contributions) will be subject to the limitations of this Section 5.1, as applied, in the following order:

- (a) the Code § 415 limitations under Section 5.2,
- (b) the Code § 402(g) limitations under Section 5.3,
- (c) the Code § 401(k) limitations for Highly Compensated Employees under Section 5.4,
- (d) the Code § 401(m) limitations for Highly Compensated Employees under Section 5.5.

Section 5.2 Code § 415 Limitations. Refer to Appendix 5.2.

(a) Coordination with Code § 401(k) and Code §402(g). Any Pre-Tax Contributions that are not allocated because of the limitations of Appendix 5.2 will be disregarded for the purposes of the Code §402(g) limitations under Section 5.3 and the Code §401(k) limitations under Section 5.4.

Section 5.3 Code § 402(g) Limitations.

(a) A Participant's total Pre-Tax Contributions under this Plan and "elective deferrals" within the meaning of Code § 402(g) under all other qualified plans, contracts and arrangements maintained by an Affiliate during any calendar year will not exceed the annual dollar limit under Code § 402(g) (or, with respect to Participants in Puerto Rico, such lower limit as may be prescribed under Puerto Rican law). A Participant whose Pre-Tax Contributions together with other elective deferrals under a plan of an Affiliate exceed the applicable limitation, shall be deemed to have made a request for a refund under Section 5.3(b) and the excess will be refunded in accordance with such Section.

(b) If a Participant's Pre-Tax Contributions for a calendar year, when added to the "elective deferrals" within the meaning of Code § 402(g) made for a calendar year on behalf of such Participant under plans, contracts or arrangements of an employer that is not an Affiliate (for example, another unrelated employer's Code § 401(k) plan or tax sheltered annuity) for that calendar year, exceed the Code § 402(g) dollar limit, he or she may request a refund of that excess (or, if less, the Participant's Pre-Tax Contributions deducted during such calendar year under this Plan) by filing an election no later than March 1 of the following calendar year. A Participant's election under this Section 5.3(b) will specify the dollar amount of the excess and include a written statement that absent the refund, the Pre-Tax Contributions made under this Plan plus the other contributions described in this Section 5.3 will exceed the Code § 402(g) limit for that calendar year.

(1) Any refund timely requested or deemed requested under this Section 5.3(b) (adjusted for investment gain or loss) will be made no later than the April 15 that immediately follows the date the refund is requested or deemed requested.

(2) Any Pre-Tax Contributions (other than Pre-Tax Contributions described in the second sentence of this Section 5.3(b) (2)) that exceed the limit set forth in Code § 402(g) will be taken into account for purposes of the ADP Test under Section 5.4 regardless of whether the Pre-Tax Contributions are refunded to a Participant in accordance with this Section 5.3(b). Notwithstanding the foregoing, excess Pre-Tax Contributions of a Nonhighly Compensated Employee will not be taken into account for purposes of the ADP Test to the extent the excess arises solely from Pre-Tax Contributions under this Plan and pre-tax contributions under all other qualified plans, contracts and arrangements maintained by the Affiliates to the extent prohibited under Code § 401(a)(30). Excess Pre-Tax Contributions that are refunded under this Section 5.3(b) will not be taken into account for purposes of the Code § 415 limitations under Section 5.2.

(c) Refunds of excess Pre-Tax Contributions will be adjusted for investment gain or loss for the Plan Year for which the deferrals were made and for the period between the end of such calendar year and the date the deferrals are distributed in accordance with the regulations under Code § 402(g).

Section 5.4 Code § 401(k) Limitations for Highly Compensated Employees.

(a) ADP Test. The average of the Highly Compensated Employees' ADPs for a Plan Year, when compared to the average of the Nonhighly Compensated Employees' ADPs for the same Plan Year will satisfy either of the following tests:

(1) the average of the ADPs for all Highly Compensated Employees is not more than 125% of the average of the ADPs for all Nonhighly Compensated Employees, or

(2) the average of the ADPs for all Highly Compensated Employees is not more than two times the average of the ADPs for all Nonhighly Compensated Employees, and the excess of the average of the ADPs for all Highly Compensated Employees over the average of the ADPs for all Nonhighly Compensated Employees is not more than two percentage points.

In performing the ADP Test for a Plan Year, the applicable averages will be calculated taking into account each Participant who was eligible to make Pre-Tax Contributions at any time during that Plan Year.

(b) Aggregation with Other Plans or Arrangements. The ADP for any Highly Compensated Employee will be determined as if all contributions made on behalf of such Highly Compensated Employee during the same Plan Year under one, or more than one, other plan described in Code § 401(k) maintained by an Affiliate had been made under this Plan or, at the option of the Committee, the

Plan may be permissively aggregated with such other plans if they have the same Plan Year and use the same ADP testing method. If this Plan satisfies the coverage requirements of Code § 410(b) only if aggregated with one or more other plans, or if one or more other plans satisfy the coverage requirements of Code § 410(b) only if aggregated with this Plan, this Section 5.4 will be applied by determining the ADPs of all Participants as if all those plans were a single plan.

(c) Other Requirements and Elections. The determination and treatment of the Pre-Tax Contributions and ADP of any Participant will satisfy any other requirements prescribed by the Secretary of the Treasury including any subsequent Internal Revenue Service guidance issued under Code § 401(k), and, in performing the ADP Test, the Committee may use any alternatives and elections authorized under the applicable regulations, rulings or revenue procedures. If the Plan applies Code § 410(b)(4)(B) (exclusion of employees less than age 21 or without one year of service) for Code § 410(b) testing purposes the Plan will perform the ADP Test using the ADP of each eligible Highly Compensated Employee for the Plan Year and the ADP of each eligible Nonhighly Compensated Employee for the preceding Plan Year, disregarding each eligible Nonhighly Compensated Employee who was not age 21 or had not completed one year of service by the end of the preceding Plan Year.

(d) Action to Satisfy ADP Test.

(1) Refund of Excess Contributions. Excess Contributions (adjusted for investment gain or loss) will be refunded no later than the last day of the immediately following Plan Year to Highly Compensated Employees on whose behalf the Excess Contributions were made. Refunds will be made on the basis of the amount of Pre-Tax Contributions for such Plan Year starting with the Highly Compensated Employee with the greatest dollar amount of Pre-Tax Contributions, first from his or her unmatched Pre-Tax Contributions and thereafter from his or her Pre-Tax Contributions that are matched, and such refunds will be made first pro-rata from Investment Options other than the UPS Stock Fund and then, if necessary, from the UPS Stock Fund. The Excess Contributions that would otherwise be refunded will be reduced (in accordance with the Code § 401(k) regulations) by any refund made to the Highly Compensated Employee under Section 5.3. In the case of a Highly Compensated Employee who is an eligible employee in more than one plan of an Affiliate to which elective contributions are made, the amount of the Excess Contributions refunded to the Highly Compensated Employee for any Plan Year must not exceed the amount of his or her Pre-Tax Contributions actually contributed to the Plan for the Plan Year.

(2) Determination of Investment Gain or Loss. Excess Contributions will be adjusted for investment gain or loss for the Plan Year for which the contributions were made in accordance with the regulations under Code § 401(k) but will not be adjusted for investment gain or loss for the period between the end of the Plan Year and the date the Excess Contributions are distributed.

Section 5.5 Code § 401(m) Limitations For Highly Compensated Employees.

(a) ACP Test. The average of the Highly Compensated Employees' ACPs for a Plan Year, when compared to the average of the Nonhighly Compensated Employees' ACPs for the same Plan Year will satisfy either of the following tests:

(1) the average of the ACPs for all Highly Compensated Employees does not exceed 125% of the average of the ACPs for all Nonhighly Compensated Employees, or

(2) the average of the ACPs for all Highly Compensated Employees is not more than two times the average of the ACPs for all Nonhighly Compensated Employees, and the excess of the average of the ACPs for all Highly Compensated Employees over the average of the ACPs for all Nonhighly Compensated Employees is not more than two percentage points.

In performing the ACP Test for a Plan Year, the applicable averages will be calculated taking into account each Participant who was eligible to make Pre-Tax Contributions at any time during that Plan Year.

(b) Aggregation with Other Plans or Arrangements.

(1) The ACP for any Highly Compensated Employee will be determined as if any "employee contributions" (within the meaning of Code § 401(m)) and any "matching contributions" (within the meaning of Code § 401(m)(4)) allocated to his or her account during the same Plan Year under one, or more than one, other plan described in Code § 401(a) or § 401(k) maintained by an Affiliate had been made under this Plan or, at the option of the Committee, the Plan may be permissively aggregated with such other plans. If this Plan satisfies the coverage requirements of Code § 410(b) only if aggregated with one or more other plans, or if one or more other plans satisfy the coverage requirements of Code § 410(b) only if aggregated with this Plan, then this Section 5.5 will be applied by determining the ACPs of all Participants as if all the plans were a single plan.

(c) Action to Satisfy ACP Test.

(1) Distribution or Forfeiture of Excess Aggregate Contributions.

Notwithstanding any other provision of this Plan to the contrary, Excess Aggregate Contributions made for any Plan Year (adjusted for investment gains and losses) will be distributed from the Accounts of Highly Compensated Employees no later than the last day of the immediately following Plan Year.

The Excess Aggregate Contributions will be distributed on behalf of each Highly Compensated Employee, starting with the Highly Compensated Employee who has the largest sum of those contributions and ending when the Excess Aggregate Contributions are distributed. The Excess Aggregate Contributions will first be reduced by distributing

After-Tax Contributions and then by distributing SavingsPLUS Contributions and such distributions will be made first pro-rata from Investment Options other than the UPS Stock Fund and then, if necessary, from the UPS Stock Fund.

In the case of a Highly Compensated Employee who is an eligible employee in more than one plan of an Affiliate to which employee and matching contributions are made, the amount of the Excess Aggregate Contributions refunded to the Highly Compensated Employee for any Plan Year must not exceed the amount of his or her After-Tax Contributions and SavingsPLUS Contributions actually contributed to the Plan for the Plan Year.

(2) Determination of Investment Gain or Loss. Excess Aggregate Contributions will be adjusted for investment gain or loss for the Plan Year for which such contributions were made in accordance with the regulations under Code § 401(m) but will not be adjusted for investment gain or loss for the period between the end of the Plan Year and the date the Excess Aggregate Contributions are distributed.

Section 5.6 Roth Contributions Roth Contributions shall be treated as Pre-Tax Contributions under this Article V and if Pre-Tax Contributions are required to be distributed to satisfy any such limitation, such distribution shall be made first from the affected Participant's Roth Contribution Account and if there is an insufficient amount in that account, the remainder of the distribution shall be made from the Participant's Pre-Tax Contribution Account.

ARTICLE VI. VALUATION AND ACCOUNT DEBITS AND CREDITS

Section 6.1 Accounts. The Committee will establish and maintain an Account (composed of such subaccounts as the Committee deems appropriate) in the name of each Participant to which will be credited such sums of cash or other property from time to time contributed or transferred to this Plan together with the earnings, profits and appreciation on those assets and to which will be charged the losses and depreciation on those assets and the Participant's share of the expenses of this Plan and the Trust Funds unless the Employer Companies pay for such expenses.

Section 6.2 Corrections. If an error or omission is discovered in any Account, an appropriate adjustment will be made to such Account and to such other Accounts as deemed appropriate and proper under the circumstances by or at the direction of the Committee in order to remedy such error or omission.

ARTICLE VII. INVESTMENTS

Section 7.1 Investment of Trust Funds.

(a) The Committee shall select Investment Options; provided, however, that one of the Investment Options shall be a fund invested primarily in UPS Stock. It is intended that the Plan satisfy the conditions for the participant-directed investment of Plan accounts contained in ERISA § 404(c) and the regulations thereunder (Labor Regulation Section 2550.404c-1), so as to afford to each Participant the opportunity to exercise control over the assets in his or her Account and to choose, from a broad range of investment alternatives, the manner in which said assets are invested. In accordance with Sections 7.2 through 7.4, each Participant shall have the opportunity to choose, in accordance with such procedures as the Committee may prescribe, among the Investment Options. The allocation of the Participant's Account among Investment Options must be made in one percent (1%) increments.

(b) The Committee shall (1) determine the manner and frequency of investment instructions and limitations on such instructions and (2) establish such other procedures as may be necessary or appropriate to implement Participant and Beneficiary instructions in accordance with the requirements of ERISA Section 404(c), including procedures to provide Participants and Beneficiaries with an opportunity to obtain written confirmation of their investment instructions. Any such procedures may be amended or modified from time to time by the Committee at its discretion and all such procedures and any amendments or modifications to such procedures are incorporated into and made a part of this Plan.

The Committee shall provide for at least three Investment Options in addition to the UPS Stock Fund each of which is diversified and has materially different risk and return characteristics. The Committee shall permit a Participant to divest his or her investment in the UPS Stock Fund and reinvest an equivalent amount in other Investment Options at periodic, reasonable opportunities occurring no less frequently than quarterly. The Committee shall not impose any restrictions or conditions with respect to the investment in the UPS Stock Fund that are not imposed on other Investment Options except as required or as are reasonably designed to ensure compliance with applicable securities laws or as otherwise permitted under the Treasury Regulations under Code § 401(a)(35). To the extent that the Plan is an "applicable defined contribution plan" within the meaning of Code § 401(a)(35)(E) and the regulations thereunder, the requirements of Appendix 7.1, Diversification Requirements of Code § 401(a)(35), shall apply.

Section 7.2 Investment of Accounts.

(a) Investment Election. The Trustees shall invest and reinvest each Participant's Account among the Investment Options in accordance with the instructions provided by such Participant, which shall remain in force until altered in accordance with Sections 7.3 and 7.4.

Notwithstanding the foregoing, (a) a Participant may, on a form provided by the Committee, make a separate written election to have his or her Rollover Contribution invested in a manner independent of his or her other subaccounts, so

long as such written election is transmitted to the Trustees at the same time as the Rollover Contribution is made to the Plan; (b) a Participant must provide separate investment elections for his or her Roth Contribution Account; and (c) effective January 1, 2023, a Participant may provide separate investment elections for his or her After-Tax Contributions Account. Such investment directions must be in increments of one percent (1%). Such investment directions must result in the investment of one hundred percent (100%) of the directed amount. Authorizations that do not result in an allocation of one hundred percent (100%) or are incorrect in any other respect will not be processed and the prior investment allocation shall continue in effect. Notwithstanding the foregoing, the Trustees may refuse to follow any investment instructions that the Trustees or the Committee reasonably believes could result in a transaction prohibited under ERISA § 406 or Code § 4975 and for which there is no exemption, could generate income that would be taxable to the Plan, would not be in accordance with the Plan or with ERISA, could cause the Trustee to maintain indicia of ownership of Plan assets outside of the United States, could jeopardize the Plan's tax exempt status or could result in a loss to the Plan in excess of the Participant's Account.

Notwithstanding the forgoing, contributions may not be invested directly in the Self-Managed Account; however, a Participant may direct the transfer of contributions and other amounts invested in another Investment Option into the Self-Managed Account pursuant to Section 7.4.

Effective for SavingsPLUS Contributions made for Accounting Periods on or after January 1, 2023, such contributions shall be invested in accordance with the Participant's investment elections for Pre-Tax Contributions and if none, the Deemed Investment Election in Section 7.2(b).

(b) Deemed Investment Elections. If a Participant is deemed to have made a Pre-Tax Contribution election pursuant to Section 3.1(b), and he or she does not make an Affirmative Investment Election, his or her Pre-Tax Contributions will be invested in the default investment fund as designated by the Committee, based on the Participant's date of birth as reflected in the records of the recordkeeper at the time of the contribution to the Trust Funds:

If, for any reason, the recordkeeper's records as to the Participant's date of birth are not correct, (a) the recordkeeper will correct the incorrect data as soon as administratively practicable after it is notified, in writing, of the error and (b) the Pre-Tax Contributions made to the Plan prior to such correction will remain invested in the Investment Options designated by the date of birth on the recordkeeper's records at the time the Pre-Tax Contribution was made to the Plan, until such time as the Participant makes an Affirmative Investment Election. The Trustee shall invest and reinvest each Participant's Account among the Investment Options in accordance with the deemed investment elections provided by this Section 7.2(b), which shall remain in force until altered in accordance with Sections 7.2(a), 7.3 and 7.4.

Section 7.3 Investment Allocation of Future Contributions. Each Participant may elect to change the investment allocation of future Pre-Tax Contributions or After-Tax Contributions at any time. Each election to change a Participant's investment allocation among Investment Options shall be made via the VRU or in accordance with such other procedures as are prescribed by the Committee from time to time, and shall be effective as soon as practicable following the receipt thereof. Such election shall apply uniformly to all future Pre-Tax Contributions and After-Tax Contributions made

by or on behalf of the Participant. Changes must be in increments of one percent (1%). Changes must result in a total investment of one hundred percent (100%) of the Participant's contributions under the Plan. Authorizations that do not result in an allocation of one hundred percent (100%) of the Participant's future contributions or are incorrect in any other respect will not be processed and the prior investment allocation shall continue in effect.

Notwithstanding the forgoing, contributions may not be invested directly in the Self-Managed Account; however, a Participant may direct the transfer of contributions and other amounts invested in another Investment Option into the Self-Managed Account pursuant to Section 7.4.

Section 7.4 Transfer of Account Balances Between Investment Options.

(a) General. Each Participant may elect to transfer the balances in his or her Account among the Investment Options at any time. Such election shall be made via the VRU, or in accordance with such other procedures as shall be prescribed by the Committee from time to time, and shall be effective as soon as practicable following receipt thereof, subject to limitations, if any, of the investment vehicles selected. If a transfer authorization does not result in the allocation of one hundred percent (100%) of the Participant's Account or if it is incorrect in any other respect, the transfer authorization will not be processed by the Committee and the prior investment allocation will continue in effect. Notwithstanding anything to the contrary in this subparagraph, amounts credited to any subaccount must remain credited to that subaccount until distribution from the Plan, unless the Committee determines that such contributions (and investment gains or losses on such contributions) should be credited to a different subaccount.

(b) Self-Managed Account Transfers. A Participant's initial transfer into the Self-Managed Account must equal or exceed \$2,500. Any subsequent transfer into the Self-Managed Account must equal or exceed \$1,000. A transfer to the Self-Managed Account shall be permitted only if a Participant has \$500 or more invested in Investment Options, other than the Self-Managed Account, immediately following such transfer. All investments in the Self-Managed Account shall be in accordance with administrative processes and procedures established by the Committee.

Section 7.5 Ownership Status of Funds. The assets of each Investment Option shall be owned by one of the Trustees. The applicable Trustee or a recordkeeper designated by the Committee shall maintain or have maintained records for each Investment Option allocating a portion of the investment representing such Investment Option to each Participant who has elected that his or her Account be invested in such Investment Option. The records shall reflect the U.S. dollar value of each Participant's portion of each Investment Option.

Section 7.6 Statements. The Committee shall furnish or cause to be furnished to each Participant, at least annually, a statement of his or her Account.

Section 7.7 Transition Period to Implement Plan Changes. In connection with a change in record keepers, trustees, or other service providers for the Plan, a change in the methodology for valuing accounts, a change in investment options, a plan merger or other circumstances, a temporary interruption in the normal operations of the Plan may be required in order to properly implement such change or merger or take action in light of such circumstances. In such event or under such circumstances, the Committee, may take such action as it deems appropriate under the circumstances to implement such change or merger or in light of such circumstances, including authorizing a temporary interruption in a Participant's ability to obtain information about his or her Account, to take distributions from such Account and to make changes in the investment of that Account, provided the Committee will take appropriate action as to give Participants as much advance notice of the interruption as possible and to minimize the scope and length of the interruption in normal Plan operations. In addition, when changing Investment Options, the Committee will take such action as it deems appropriate under the circumstances to direct the investment of the funds pending completion by a Trustee of the administrative processes necessary to transfer investment authority to the Participants, including, but not limited to, mapping monies from old funds to new funds. Notwithstanding the foregoing, one Investment Option will be a fund designed to invest primarily in UPS Stock.

Section 7.8 Alternate Payees and Beneficiaries. Solely for purposes of this Article VII, an Alternate Payee or a Beneficiary of a deceased Participant will be treated as a Participant.

Section 7.9 Investment in UPS Stock. The Trustee of the UPS Stock Fund may purchase UPS Stock from any source, provided that the Trustee will pay no more than Fair Market Value for any share. The Trustee may purchase either outstanding shares, newly issued shares, or treasury shares. To the extent that the Trustee needs to obtain cash, the Trustee may sell UPS Stock to the Employer for no less than Fair Market Value. The Committee shall direct the Trustee as to its responsibilities to suspend purchases of UPS Stock when such suspension is necessary to comply with any applicable law or applicable stock exchange rule or regulation in which event purchases will be made or resumed when the Committee reasonably concludes that purchases are permitted under applicable law. The recordkeeper selected by the Committee will account for the cost or other basis of all UPS Stock held in the UPS Stock Fund in accordance with Treasury Regulation § 1.402(a)-1(b)(2)(ii).

Section 7.10 Voting and Tender Rights of UPS Shares. The Employer has engaged a third party recordkeeper, which has the responsibility to maintain Participant records, including the names, addresses and number of shares of Participants and Beneficiaries holding UPS Stock. The recordkeeper's duties with regard to proxies is to provide the Trustee of the UPS Stock Fund with a list which includes the name, address and number of shares held for each Participant and Beneficiary as of the applicable date. That Trustee has the responsibility to furnish Participants and Beneficiaries with the information set forth in Section 7.1(b)(3), to reconcile the number of shares that are voted or tendered by Participants and Beneficiaries and to vote or tender the remaining shares pursuant to Sections 7.10(a) and 7.10(b).

(a) Voting of UPS Shares. Shares of UPS Stock will be voted by the Trustee of the UPS Stock Fund as directed by the Participants or Beneficiaries invested in the UPS Stock Fund. All shares of UPS Stock will be voted by the

Trustee in the same proportion as voting instructions are timely received by the Trustee. When determining the percentage of shares to be voted in favor of or against a particular measure, the Trustee will disregard shares of UPS Stock for which the Trustee has not timely received voting instructions. For example, if Participants and Beneficiaries fail to timely provide voting instructions on 25% of the UPS Stock Fund, all shares of UPS Stock held in the UPS Stock Fund will be voted in accordance with the timely instructions received for 75% of the UPS Stock.

(b) Tender of UPS Shares. In the event of a tender offer for UPS Stock, shares of UPS Stock will be tendered or not tendered as directed by the Participants or Beneficiaries. The failure to give a timely direction to tender is deemed to be a direction not to tender.

(c) Communication. The Trustee will (in an appropriate and timely manner) furnish, or cause to be furnished, to Participants and Beneficiaries who are entitled to direct the Trustee whether to tender the shares of UPS Stock allocated to his or her Account with the same information and notices as are furnished to other shareholders who are entitled to vote or entitled to tender regarding the matters to be voted upon or the tender offer and will provide them with adequate opportunity to deliver their instructions to the Trustee. The Trustee in its discretion will determine the manner in which instructions with respect to the voting or tender of UPS Stock will be given and any such instructions will be confidential.

ARTICLE VIII. VESTING AND FORFEITURES

Section 8.1 Vesting.

(a) Each Participant shall at all times have a fully vested nonforfeitable interest in the value of his or her Account, other than his or her UPS Retirement Contribution Account.

(b) Each Participant shall become fully vested in his or her UPS Retirement Contribution Account upon earning or being credited with three UPS Retirement Contribution Years of Service or, if earlier, the Participant attainment of age sixty-two (62).

(c) Each Participant whose Employer Company on April 30, 2021 is UPS Ground Freight and who has not incurred a Severance from Employment as of April 30, 2021 shall be fully vested in his or her UPS Retirement Contribution Account effective as of April 30, 2021.

Section 8.2 Forfeitures.

(a) A Participant who has a Severance from Employment but who does not receive a distribution of his or her entire vested Account prior to incurring five consecutive Breaks in Service shall, upon incurring five consecutive Breaks in Service, forfeit the non-vested portion of such Participant's Account.

(b) A Participant who has a Severance from Employment and receives a distribution of his or her entire vested Account prior to incurring five consecutive Breaks in Service shall, upon such distribution, forfeit the non-vested portion of such Participant's Account. A Participant who is not vested in his or her Account shall be deemed to have received a Distribution of his or her entire vested account upon Severance from Employment and the Participant's non-vested Account shall be immediately forfeited.

(c) Repayment of Account; Restoration of Non-Vested Account. Except as provided below, a Participant who is re-hired by the Employer or an Employer Company shall have the right to repay to the Plan the portion of the Participant's Account which was previously distributed to him or her. In the event the Participant repays the entire distribution he or she received from the Plan, the Plan shall restore the non-vested portion (i.e. forfeited portion) of the Participant's Account. A Participant's Account shall first be restored, to the extent possible, out of Forfeitures under the Plan. To the extent such forfeitures are insufficient to restore the Participant's Account, restoration shall be made from Employer Contributions. A Participant who was deemed to have received a distribution of his or her vested Account (*see* subsection (b) above) shall be deemed to have repaid such vested Account if such Participant is re-hired before such Participant incurs five consecutive Breaks in Service.

(d) Restrictions of Repayment Account. Notwithstanding anything to the contrary in this Plan, a Participant shall not have the right to repay to the

Plan the portion of his or her Account which was previously distributed to him after any of the following events: (i) the Participant incurs five consecutive Breaks in Service before returning to employment, or (ii) the Participant fails to repay the prior distribution within five years after the Participant is re-employed by the Employer or an Employer Company.

- (e) Amounts forfeited shall be used in accordance with Section 9.19.

ARTICLE IX. DISTRIBUTIONS, WITHDRAWALS AND TRANSFERS

Section 9.1 General. A Participant may request distribution of his or her Account when he or she has a Severance from Employment and a Participant may request a withdrawal from his or her Account before a Severance from Employment to the extent provided in Sections 9.8, 9.9 and 9.10.

Section 9.2 Distribution upon Severance from Employment. A Participant who has a Severance from Employment may request a distribution of his or her Account in one of the distribution forms described in Section 9.5. Following such request, payment of the Account will begin as soon as practicable (but, generally, no earlier than thirty (30) days) after his or her request for payment. Effective January 1, 2023, such distributions will begin as soon as practicable following such request.

Unless the Participant otherwise elects or the Participant's consent is not required under this Section 9.2, payment of a Participant's Account will be made no later than the sixtieth (60th) day after the close of the Plan Year in which the latest of the following events occurs:

- (a) the date on which the Participant attains age sixty-two (62), which is the normal retirement age under the Plan; or
- (b) the Participant has a Severance from Employment.

A Participant's consent for a distribution is not required if the value of his or her Account is \$1,000 or less, and a cash lump sum distribution will automatically be made to such a Participant as soon as practicable following his or her Severance from Employment, without his or her consent.

Effective on and after June 30, 2015, if (i) a Participant has or has had a Severance from Employment, (ii) his or her Account is more than \$1,000 but not more than \$5,000, and (iii) the Participant does not elect to have his or her Account distribution paid directly to an eligible retirement plan specified by the Participant in a direct rollover or to receive the distribution directly as otherwise provided in this Section 9.2 following the receipt of the notice described in Code § 402(f), then the Committee shall pay the distribution, without the Participant's consent, in a direct rollover to an individual retirement plan designated by the Committee.

Section 9.3 Automatic Deferral of Payment. A Participant who does not request a distribution of his or her Account under Section 9.2 (other than a Participant whose consent is not required) will be deemed to have elected to defer payment of his or her Account (which deemed election will be in lieu of a written election that conforms to the requirements of Code § 401(a)(14) and regulations promulgated thereunder) until the earlier of:

(a) the date of such Participant's death, or

(b) the later of (1) the date such Participant attains age would have attained age 72 (age 70½, if the Participant was born before July 1, 1949) or (2) his or her Severance from Employment.

Such date is referred to as the "Latest Deferral Date".

If the Latest Deferral Date occurs as a result of the Participant's death, any amount remaining in the Account on such date (including amounts invested in the Self-Managed Account and the UPS Stock Fund) shall be paid in a cash lump sum as soon as administratively practicable following such date.

If the Latest Deferral Date occurs for a reason other than the Participant's death and the Participant has not received a distribution from the Plan that will satisfy the requirements of Code § 401(a)(9) for such year, a minimum distribution that conforms to Section 9.4 shall automatically be made from the Plan.

Section 9.4 Required Beginning Date under Code § 401(a)(9).

Notwithstanding any contrary Plan provision, a Participant's Account will be paid to him or her no later than April 1 of the calendar year following (a) the calendar year in which he or she reaches age would have attained age 72 (age 70½, if the Participant was born before July 1, 1949) or (b) if later, for a Participant who is not a five percent (5%) owner (as defined in Code § 416), the calendar year in which he or she has a Severance from Employment.

Distributions under Article IX shall conform to the minimum distribution requirements of Code § 401(a)(9) in accordance with Appendix 9.4. The distribution required by Code § 401(a)(9) may, at the election of the Participant or Beneficiary, be the minimum distribution required by Code § 401(a)(9). If a Participant or Beneficiary is required to receive a minimum distribution for a Plan Year but such Participant or Beneficiary does not provide the information required to determine the exact amount of such distribution, the Committee will establish procedures for completing distributions required by Code § 401(a)(9).

Section 9.5 Distribution Form.

(a) Normal Form. Distribution of each Participant's Account shall be made in a lump sum of the Participant's entire Account, unless the Participant elects a partial lump sum distribution, installments under Section 9.5(b) or another distribution option available under Appendix 14.3 as a result of a merged plan. A Participant who has a Severance from Employment may request a partial lump sum distribution of less than his or her entire Account balance. There is no minimum amount for a partial lump sum distribution and each partial lump sum distribution is subject to a service fee established by the Committee.

(b) Installment Options. A Participant who has a Severance from Employment shall be eligible to receive all or if he or she elects a partial lump sum distribution, the remaining portion of his or her Account in a series of monthly installment payments only if he or she has an account at a financial institution that can accept monthly wire transfers. A Participant may select in

accordance with procedures prescribed by the Committee either (i) the amount of each monthly installment payment or (ii) the number of monthly installment payments, that he or she would like to receive; provided, however, a Participant must select a minimum of twelve (12) monthly installment payments and the initial monthly installment payment must be at least fifty dollars (\$50).

Monthly installment payments shall cease as soon as administratively possible following the death of the Participant, unless the surviving Spouse who is the Beneficiary elects otherwise pursuant to Section 9.6(d).

A Participant may elect to terminate his or her installment election at any time. Such Participant may elect another form of distribution under this Section 9.5 at any time, provided the requirements of this Section 9.5 are independently satisfied with respect to each such new election.

Notwithstanding anything contrary in this § 9.5, installment payments shall not be made from the Self-Managed Account or the UPS Stock Fund.

(c) Source of Distribution. Distributions shall be made in accordance with procedures established by the Committee and, unless otherwise requested by the Participant, shall be made first from that portion of his or her Account other than the Self-Managed Account or the UPS Stock Fund, second from the UPS Stock Fund and third from the Self-Managed Account.

Section 9.6 Death.

(a) General. Subject to the provisions set forth in Appendix 14.3, if a Participant dies before his or her Account is paid to him or her in full, the remaining portion of the Account will be paid to his or her Beneficiary determined in accordance with (b) below.

(b) Determination of Beneficiary. A Participant's Beneficiary(ies) will be determined as follows:

(1) Except as otherwise provided below, a Participant's sole primary Beneficiary will be his or her surviving Spouse, if the Participant is lawfully married on the date of his or her death.

(2) If the Participant was not lawfully married at death, if the Participant's surviving Spouse consented in writing before a notary public to the designation of some other person or persons as the Participant's Beneficiary or if the Committee determines that spousal consent is not required under the Code or ERISA, then the Participant's Beneficiary will be the person or persons so designated in writing by the Participant on a form satisfactory to the Committee in accordance with (c) below.

(3) The Participant's Beneficiaries will be his or her estate, if any of the following apply:

- (i) The Participant did not have a Spouse and failed to properly designate another Beneficiary;
- (ii) Neither the Participant's Spouse, if any, nor any other Beneficiaries survive the Participant; or

(iii) After following the procedures in Section 9.19 (Forfeiture in Case of Unlocatable Participant), the whereabouts of each person designated as a Beneficiary is unknown and no death benefit claim is submitted to the Committee prior to December 31 of the calendar year following the calendar year in which the Participant died.

(c) Designation of Beneficiaries. A Participant may designate one or more Beneficiaries in a manner satisfactory to the Committee which may include among other things, the use of an approved form, an on-line method via the Plan administrator's website, or telephonically. A Participant may designate both primary Beneficiaries and contingent Beneficiaries. Unless clearly indicated otherwise by the Participant in his or her Beneficiary designation made in accordance with this Section 9.6(c): (1) if the Participant designates multiple primary Beneficiaries or multiple contingent Beneficiaries, each will share equally in the Account and (2) persons designated as contingent Beneficiaries will be treated as the Participant's Beneficiaries only if each of the Participant's primary Beneficiaries fail to survive the Participant or cannot be located at the time of the distribution of the Participant's Account. A Participant may change his or her designation of Beneficiary from time to time, provided, however, that if the Participant's Spouse, if any, is not the sole primary Beneficiary of the Account, such Spouse, if any, must consent to the designation of other Beneficiaries in writing before a notary public. No such designation or change will be effective unless and until it is received by the Committee prior to the Participant's death. The Beneficiary designations under this Plan will supersede and replace any and all Beneficiary designations made under other plans merged into this Plan.

(d) Payment to Beneficiary. Subject to 9.5(b), a Beneficiary's interest in the Account of a deceased Participant will be paid to him or her in a single lump sum as soon as practicable after the Committee determines that the person has an interest in the Account. Distribution will be completed by December 31 of the calendar year containing the fifth anniversary of the date of the Participant's death. Notwithstanding the forgoing, if a Participant had elected to receive monthly installment payments, his or her surviving Spouse who is his or her Beneficiary may elect to continue monthly installment payments after the Participant's death.

(e) Information to the Committee. In its discretion, the Committee may require a copy of the Participant's death certificate and such other information as the Committee deems relevant to be submitted by the Beneficiary when making a request for death benefits under the Plan.

Section 9.7 Distribution Pursuant to a Qualified Domestic Relations Order. Any portion of a Participant's Account that is awarded to an alternate payee by reason of a qualified domestic relations order in accordance with Section 15.4(c) will, to the extent provided in such order, become available for distribution as soon as practicable following the determination by the Committee that the order meets the requirements of Code § 414(p). If the qualified domestic relations order so provides, an alternate payee may receive a lump sum distribution of less than the entire balance credited to that portion of the Participant's Account allocated to such alternate payee. There is no minimum amount for such partial distributions and each partial distribution is subject to a service fee established by the Committee.

Section 9.8 In-Service Withdrawals. A Participant may make a withdrawal from his or her Account, other than the Self-Managed Account, before his or her Severance from Employment in accordance with the rules of this Section 9.8 or, in the case of a Merged Account, in accordance with the rules of Section 9.10.

(a) After-Tax Contribution Account and Rollover Contribution Account. A Participant may withdraw all or a portion of his or her After-Tax Contribution Account or his or her Rollover Contribution Account at any time by making a request for withdrawal via VRU or in accordance with such other procedures prescribed by the Committee from time to time.

The Participant's After-Tax Contribution Account or Rollover Contribution Account shall both be considered a separate "contract" for purposes of Code § 72(d) and a withdrawal from those subaccounts will be allocated on a pro rata basis with respect to the pre-and after-tax monies held in such subaccount.

A Participant's subaccount for after-tax contributions under a Merged Account shall be treated as part of his or her After-Tax Contribution Account and a Participant's subaccount for rollover contributions under a Merged Account shall be treated as a part of his or her Rollover Contribution Account for purposes of this Section 9.8.

(b) Withdrawals After Age Fifty-Nine and One-Half (59 ½). A Participant may withdraw all or a portion of his or her Pre-Tax Contribution Account, Roth Contribution Account or, if applicable, any subaccount for pre-tax contributions or Roth contributions under a Merged Account after age fifty-nine and one-half (59 ½), by submitting a request for withdrawal via VRU or in accordance with such other procedures prescribed by the Committee for this purpose.

(c) Hardship Withdrawals. Prior to age fifty-nine and one-half (59 ½), a Participant may withdraw any portion of his or her Pre-Tax Contribution Account or, if applicable, any subaccount for pre-tax contributions under a Merged Account (other than earnings on the Pre-Tax Contributions or pre-tax contributions under a Merged Plan held in the respective subaccount) in the event of financial hardship and a hardship withdrawal will be granted if, and to the extent that, the Committee determines that the withdrawal is "necessary" to satisfy an "immediate and heavy financial need" as determined in accordance with this Section 9.8(c). Amounts in a Participant's After-Tax Contribution Account; Rollover Contribution Account; UPS Retirement Contribution Account; UPS Transition Contribution Account; SavingsPLUS Account; Roth Contribution Account, Top Heavy Account, as well as any amounts invested in the Self-

Managed Account and UPS Stock Fund shall not be available for hardship withdrawal.

(1) Financial Need. An “immediate and heavy financial need” means one or more of the following:

(i) expenses for unreimbursed medical care described in Code § 213(d) incurred by the Participant, the Participant’s Spouse or dependents (as defined in Code § 152, without regard to Code §§ 152(b)(1), 152(b)(2) and 152(d)(1)(B)) and amounts necessary for those individuals to obtain the medical care;

(ii) the purchase of a principal residence for the Participant (excluding mortgage payments);

(iii) the payment of tuition and related educational fees, including room and board, for the next twelve (12) months of post secondary education for the Participant or the Participant’s Spouse, children or dependents (as defined in Code § 152, without regard to Code §§ 152(b)(1), 152(b)(2) and 152(d)(1)(B));

(iv) the prevention of the eviction of the Participant from his or her principal residence or the foreclosure on the mortgage of the Participant’s principal residence;

(v) payment for burial or funeral expenses for the Participant’s deceased parent, Spouse, children or dependents (as defined in Code § 152, without regard to Code § 152(d)(1)(B));

(vi) expenses for the repair or damage to the Participant’s principal residence that qualify for the casualty deduction under Code § 165 (determined without regard to Code § 165(h)(5) and without regard to whether the loss exceeds 10% of adjusted gross income);

(vii) the satisfaction of a federal tax levy on the Account of the Participant under the Plan pursuant to Code § 6331.

(viii) expenses and losses (including loss of income) incurred by the Participant on account of a disaster declared by the Federal Emergency Management Agency (FEMA) under the Robert T. Stafford Disaster Relief and Emergency Assistance Act, Pub. L. 100-707, provided that the Participant’s principal residence or principal place of employment at the time of the disaster was located in an area designated by FEMA for individual assistance with respect to the disaster.

(2) Withdrawal Necessary to Satisfy Need. A hardship withdrawal will be deemed to be “necessary” to satisfy a financial need only if both of the following conditions are satisfied:

(i) The withdrawal will not exceed the amount of the need and any amounts necessary to pay any federal, state or local

income taxes or penalties reasonably anticipated to result from the withdrawal; and

(ii) The Participant has obtained all distributions and withdrawals (other than hardship withdrawals) from any employee stock ownership plan under Code § 404(k), and all nontaxable loans currently available from all plans maintained by the Affiliates. However, a Participant will not be required to obtain a loan if the effect of the loan would be to increase the amount of the need. Effective January 1, 2020, a Participant is not required to obtain such a loan.

(3) Suspension of Contributions and Adjusted Limits. If any portion of the hardship withdrawal comes from the Participant's Pre-Tax Contribution Account, for the six (6) month period following the date of the withdrawal, the Participant cannot make any Pre-Tax Contributions or After-Tax Contributions under this Plan or elective deferrals or employee contributions under any plan maintained an Affiliate. For this purpose, "plan" means all qualified and nonqualified plans of deferred compensation, including a stock option, stock purchase or other similar plan, but excluding a health or welfare benefit plan (even if it is part of a cafeteria plan described in Code § 125). Effective January 1, 2020, a Participant is not subject to these suspension provisions.

Effective January 1, 2020, a Participant shall also be required to provide a written or electronic representation, in a manner satisfactory to the Committee, that the Participant has insufficient cash or other liquid assets reasonably available to satisfy the Participant's financial need. If the Committee has actual knowledge contrary to such representation, the Participant shall be ineligible for the hardship withdrawal.

(4) Procedures. Finally, the hardship withdrawal rules in this Section 9.8(c)(1)(i) through (viii) are intended to satisfy the safe harbor requirements in the Code § 401(k) regulations, and the Committee has the power to implement written procedures to modify these rules and to adopt additional rules to the extent permissible under those regulations.

(5) Special Rules related to Federal Tax Levy Hardship Withdrawals. Notwithstanding any other contrary provision of this § 9.8, the following special rules shall apply only to a federal tax levy hardship withdrawal described in § 9.8(c)(1)(vii):

(i) either the Participant, the Internal Revenue Service or an individual with authority to act on behalf of the Internal Revenue Service may request such a withdrawal at any time (including any time after the Participant reaches age fifty-nine and one-half (59 ½));

(ii) in addition to the Pre-Tax Contribution Account available under the first paragraph of this Section 9.8, the request may also apply to all, or any portion, of a Participant's After-Tax Contribution Account, Rollover Contribution Account and SavingsPLUS Account (including the Self-Managed Account and the UPS Stock Fund); and

(iii) the hardship distribution shall be made directly to the U. S. Treasury or other entity specifically identified in the federal tax levy.

Finally, the hardship withdrawal rules in this Section 9.8(c)(1)(i) through (vii) are intended to satisfy the safe harbor requirements in the Code § 401(k) regulations, and the Committee has the power to implement written procedures to modify these rules and to adopt additional rules to the extent permissible under those regulations.

(d) Payment of Withdrawal. Payment of the amount requested under Section 9.8 if permitted will be made to the Participant in a single lump sum as soon as practicable after his or her election is processed.

(e) Special Rules for Hurricanes Harvey and Irma. Notwithstanding the foregoing, a Participant may request a withdrawal of his or her Account consisting of Pre-Tax Contributions (as of the valuation date preceding the withdrawal) in an amount equal to or less than the amount necessary to satisfy a proven immediate and heavy financial need of economic loss caused by Hurricane Harvey or Hurricane Irma, but only for Participants whose principal residence or place of employment was (or whose lineal ascendant, descendant, dependent, or Spouse had a principal residence or place of employment) in one of the areas identified in IRS Announcements 2017-11 or 2017-13 (the “Disaster Relief Notices”) on the dates set forth in the applicable Disaster Relief Notice(s). The terms applicable to hardship distributions set forth in the applicable Disaster Relief Notice shall apply to such distributions in lieu of the provisions of this Section 9.8. Distributions under this Section 9.8(e) must be made during the periods specified in the applicable Disaster Relief Notice.

Section 9.9 Disability. A Participant who has been absent for more than 52 weeks on account of Disability (but who has not experienced a Severance from Employment) and whose Disability continues through the date of withdrawal under this Section 9.9 may withdraw all or any portion of his or her Account, other than the Self-Managed Account, at any time by submitting a request for withdrawal in accordance with the procedures adopted by the Committee for this purpose. Such withdrawal shall be subject to any additional restrictions, uniformly applied with respect to Participants similarly situated, as are prescribed by the Committee regarding the frequency and minimum amount of such withdrawal.

Section 9.10 Other In-Service Withdrawals. A Participant who was a participant in a Merged Plan may make an in-service withdrawal from his or her Merged Account, other than the Self-Managed Account, as described in Appendix 14.3.

Section 9.11 Redeposits Prohibited. No amount withdrawn pursuant to Sections 9.8, 9.9 or 9.10 may be redeposited in the Plan.

Section 9.12 Medium of Distribution.

All distributions shall be made in cash; provided, however that the portion of an Account that is invested in the UPS Stock Fund will be made (a) entirely in cash, or (b) as selected by the distributee in whole shares of UPS Stock and cash in lieu of any fractional

share of UPS Stock. Hardship distributions made pursuant to § 9.8(c) will be made in cash only.

Section 9.13 Eligible Rollover Distribution.

(a) General. Notwithstanding any provision of this Plan to the contrary that would otherwise limit a Distributee's election under this Section 9.13, a Distributee may elect, at the time and in the manner prescribed by the Committee, to have any portion of an Eligible Rollover Distribution of two hundred dollars (\$200) or more transferred to an Eligible Retirement Plan or to an individual retirement plan described in Code § 408A (a "Roth IRA") specified by the Distributee in a Direct Rollover. Additionally, the Roth Contribution Account shall be treated as a separate plan for purposes of determining whether a Participant has an Account balance greater than \$200 under this Section 9.13.

(b) Definitions.

(1) Eligible Rollover Distribution. An Eligible Rollover Distribution is any distribution of all or any portion of the balance to the credit of the Distributee, except that an Eligible Rollover Distribution does not include:

(i) any distribution that is one of a series of substantially equal periodic payments (not less frequently than annually) made for the life (or life expectancy) of the Distributee or the joint lives (or joint life expectancies) of the Distributee and the Distributee's Beneficiary, or for a specified period of ten (10) years or more;

(ii) any distribution to the extent that distribution is required under Code § 401(a)(9); and

(iii) any distribution of Pre-Tax Contributions or pre-tax contributions under a Merged Account pursuant to Section 9.8(c) on account of hardship.

A portion of a distribution shall not fail to be an Eligible Rollover Distribution merely because the portion consists of after-tax employee contributions which are not includible in gross income. However, such portion which consists of after-tax contributions may be paid only to an individual retirement annuity described in Code § 408(a) or Code § 408(b), to a Roth IRA or to a qualified defined contribution plan described in Code § 401(a) or 403(a) or an annuity contract described in Code § 403(b) that agrees to account separately for amounts so transferred, including separately accounting for the portion of such distribution which is includible in gross income and the portion of such portion which is not so includible.

After-tax employee contributions may be paid to an annuity contract described in Code § 403(b) that agrees to account separately for amounts so transferred, including separately accounting for the portion of such distribution which is includible in gross income and the portion of such portion which is not so includible.

(2) Eligible Retirement Plan. An Eligible Retirement Plan is an individual retirement account described in Code § 408(a), an individual retirement annuity described in Code § 408(b), an annuity plan described in Code § 403(a), a qualified trust described in Code § 401(a) and an annuity contract described in Code § 403(b) or an eligible plan under Code § 457(b) which is maintained by a state, political subdivision of a state, or any agency or instrumentality of a state or political subdivision of a state and which agrees to separately account for amounts transferred into such plan from this Plan in order to be an Eligible Retirement Plan. The definition of Eligible Retirement Plan shall also apply in the case of a distribution to a surviving Spouse, or to a Spouse or former Spouse who is the alternate payee under a qualified domestic relations order, as defined in Code § 414(p).

(3) Distributee. A Distributee includes the Participant, the Participant's surviving Spouse and the Participant's Spouse or former Spouse who is the alternate payee under a qualified domestic relations order, as defined in Code § 414(p).

(4) Direct Rollover. A Direct Rollover is a payment by this Plan to the Eligible Retirement Plan specified by the Distributee.

(5) Additional Limitations. Notwithstanding the foregoing,

(i) if the Distributee elects to have his or her Eligible Rollover Distribution paid in part to him or her and paid in part as a Direct Rollover, the Direct Rollover must be in an amount of two hundred dollars (\$200) or more; and

(ii) a Direct Rollover to more than one Eligible Retirement Plan will not be permitted.

(6) Nonspouse Beneficiary Direct Rollover. A Beneficiary who is not (i) the Participant's surviving Spouse or (ii) the Participant's Spouse or former Spouse designated as an alternate payee under a qualified domestic relations order, as defined in Code § 414(p), may elect, at the time and in the manner prescribed by the Committee to have any portion of his or her distribution from the Plan paid in a direct trustee-to-trustee transfer to an individual retirement account described in Code § 408(a) or an individual retirement annuity described in Code § 408(b), or a Roth IRA, each of which is established for the purpose of receiving such distribution on behalf of such Beneficiary and is treated as an inherited individual retirement account or individual retirement annuity (within the meaning of Code § 408(d)(3)(C)) for purposes of Code § 402(c)(11) (each, an "Inherited IRA"). The minimum distribution rules of Code § 401(a)(9) as described in Section 9.4 shall apply for purposes of determining the amount of the distribution that may be transferred to the Inherited IRA.

Section 9.14 30-Day Waiver. A distribution may commence less than thirty (30) days after the notice required with respect to such distributions under Code § 411(a)(11) ("Notice") is given, provided that:

- (a) the Notice informs the Participant that he or she has the right to a period of at least thirty (30) days after receiving the Notice to consider the decision of whether or not to elect a distribution (and, if applicable, a particular distribution option), and
- (b) the Participant, after receiving the Notice, affirmatively elects a distribution within the thirty (30)-day period.

Section 9.15 Withholding Obligations. The amount of any payment from an Account will be reduced as necessary to satisfy any applicable tax withholding requirements with respect to such payment.

Section 9.16 Account Balance. A payment from an Account may be delayed pending the completion of allocations to the Account if necessary to avoid underpayment or overpayment.

Section 9.17 Reemployment. Except as provided in Section 9.4 or in connection with an in-service withdrawal, no payment will be made from an Account if a Participant is reemployed as an Employee before payment is made.

Section 9.18 Claims Procedure. All grievances, complaints or claims concerning any aspect of the operation or administration of the Plan or Trust Funds, including a claim for benefits hereunder (collectively, a “claim for benefits” or “claim”) must be directed to the Committee or to a member of the Committee designated for that purpose. Each claim for benefits must be filed with the Committee, in writing, within 12 months of the date benefit payments were requested to begin or the date of the action, or inaction, causing the claim for benefits.

Within ninety (90) days following receipt of a claim for benefits, the Committee will determine whether the claimant is entitled to benefits, or other administrative action, under the Plan, unless additional time is required for processing the claim. In this event, the Committee will, within the initial ninety (90)-day period, notify the claimant that additional time is needed, explain the reason for the extension, and indicate when a decision on the claim will be made, and such decision will be made within one hundred eighty (180) days of the date the claim is filed.

A denial by the Committee of a claim for benefits will be stated in writing and delivered or mailed to the claimant. The notice will set forth the specific reasons for the denial, written in a manner calculated to be understood by the claimant. The notice will include specific reference to the Plan provisions on which the denial is based and a description of any additional material or information necessary to perfect the claim, an explanation of why this material or information is necessary, the steps to be taken if the claimant wishes to submit his or her claim for review, a description of the Plan’s review procedures, the time limits applicable to such procedures, and a statement of the claimant’s right to bring a civil action under ERISA § 502(a) after all claims appeal procedures have been exhausted.

The Committee will afford a reasonable opportunity to any claimant whose request for benefits has been denied for a review of the decision denying the claim. The review must be requested by written application to the Committee within sixty (60) days following receipt by the claimant of written notification of denial of his or her claim.

Pursuant to this review, the claimant or his or her duly authorized representative may review any documents, records and other information which are pertinent to the denied claim and may submit issues and comments in writing. A claimant may also submit documents, records and other information relating to his or her claim, without regard to whether such information was submitted in connection with his or her original benefit claim.

A decision on the claimant's appeal of the denial of a claim for benefits shall ordinarily be made by the Committee at the next regularly scheduled meeting that immediately follows receipt of the request for review, unless the request for review is received within 30 days of such meeting date. In that case, the review will occur at the second regularly scheduled meeting following the Plan's receipt of the request for review. If an extension of time is required because of special circumstances, the Committee will provide the claimant with written notice of the extension decreeing the special circumstances and the date as of which the benefit determination will be made, prior to the commencement of the extension. A benefit determination will be made no later than the third regularly scheduled meeting of the Committee following the Plan's receipt of the request for review.

The decision on review will be in writing and will include specific reasons for the decision, written in a manner calculated to be understood by the claimant, specific reference to the Plan provisions on which the decision is based, a statement that the claimant or his or her authorized personal representative may review any documents and records relevant to the claim determination, a statement describing any further voluntary appeals procedure, if any, and a statement of the claimant's right to bring a civil action under ERISA § 502(a).

No action at law or in equity to recover under this Plan shall be commenced later than one year from the date of the decision on review (or if no decision is furnished within 120 days of receipt of the request for review, one year after the 120th day after receipt of the request for review). Failure to file suit within this time period shall extinguish any right to benefits under the Plan.

Any action at law or in equity to recover under this Plan by a Participant or beneficiary relating to or arising under the Plan shall only be brought in the US District Court for the Northern District of Georgia, and this court shall have personal jurisdiction over any participant or beneficiary named in the action.

Section 9.19 Forfeiture in Case of Unlocatable Participant. If the Committee is unable to pay any benefits under the Plan to any Participant or to a Beneficiary of any Participant who is entitled to benefits under this Plan because the location of such person cannot be ascertained, the Committee will proceed as follows:

(a) Within 90 days of the date any benefits are payable under this Plan, the Committee will send an appropriate notice to such individual, to the last address for such individual listed in the Committee's records.

(b) If this notice is returned as unclaimed or the individual cannot be located at the end of the ninety (90)-day period which follows the ninety (90)-day period referred to in Section 9.19(a), the Committee will send a notice to the last address listed in its records for the individual and will attempt to locate such individual through a commercial locator service.

(c) If such individual has not been located by the December 31 of the calendar year following the calendar year in which benefits become payable and in the case of a Beneficiary, there is no alternate Beneficiary identified under the procedures of Section 9.6, all amounts held for his or her benefit will be forfeited and all liability for payment of that benefit will terminate, unless some other procedure is permitted or required by law. In any such case, the funds released as a result of such forfeiture each Plan Year will be applied as provided in Section 9.19(d). However, if an individual subsequently makes what the Committee determines to be a valid and proper claim to the Committee for his or her benefit that was forfeited, the forfeited amount will be restored without interest and will be distributed in accordance with the terms of this Plan.

(d) Forfeitures shall be applied in the next following Plan Year and in subsequent Plan Years to the following items in the order set forth below until all the forfeitures have been so applied:

(i) to restore each previously forfeited benefit upon a valid and proper claim as described in Section 9.18 or upon repayment of a distribution following reemployment, pursuant to Section 8.2;

(ii) to offset future SavingsPLUS Contributions, UPS Retirement Contributions, or UPS Transition Contributions.

(iii) to pay the reasonable and proper expenses of the Plan and Trust Funds as provided under Article XII; and

To the extent forfeitures for any Plan Year exceed amounts described in (i) through (iii), such excess forfeitures shall be allocated to each Participant who is an Eligible Employee for such Plan Year on a per capita basis.

Section 9.20 Distribution/Transfer Processing Rules. All distributions, transfers and other transactions will be processed via VRU or in accordance with such other procedures as may be prescribed from time to time by the Committee, or the Trustee, including procedures regarding the use of reasonable blackout periods during which no transactions are processed.

Section 9.21 Coronavirus Related Relief. An Affected Participant shall be eligible to receive Coronavirus-Related Distributions.

(a) Coronavirus Related Distribution. A Coronavirus Related Distribution is a distribution received by an Affected Participant on or after January 1, 2020 and before December 31, 2020, provided that the total amount of the distribution received from this Plan and any other plan maintained by an Affiliate does not exceed \$50,000. The rules of Section 9.13 shall not apply to a Coronavirus Related Distribution. The Committee may allow an Affected Participant to recontribute a Coronavirus Related Distribution to the Plan within three years of the distribution, subject to the rules of the Committee under Section 3.6.

(b) Affected Participant. For purposes of this Section, an "Affected Participant" is a Participant:

- (1) who is diagnosed with the virus SARS-CoV-2 or with coronavirus disease 2019 (collectively “COVID-19”) by a test approved by the Centers for Disease Control and Prevention;
- (2) whose spouse or dependent (as defined in Code § 152) is diagnosed with COVID-19; or
- (3) who experiences adverse financial consequences as a result of:
 - (i) the Participant being quarantined, being furloughed or laid off, or having work hours reduced due to COVID-19;
 - (ii) the Participant being unable to work due to lack of childcare due to COVID-19;
 - (iii) closing or reducing hours of a business owned or operated by the Participant due to COVID-19;
 - (iv) the Participant having a reduction in pay (or self-employment income) due to COVID-19 or having a job offer rescinded or start date for a job delayed due to COVID-19;
 - (v) the Participant’s spouse or an individual who shares the Participant’s principal residence being quarantined, being furloughed or laid off, or having work hours reduced due to COVID-19, being unable to work due to lack of childcare due to COVID-19, having a reduction in pay (or self-employment income) due to COVID-19, or having a job offer rescinded or start date for a job delayed due to COVID-19;
 - (vi) closing or reducing hours of a business owned or operated by the Participant’s spouse or an individual who shares the Participant’s principal residence with such closing or reducing of hours being due to COVID-19; or
 - (vii) any other factor determined by the Secretary of Treasury (or the Secretary’s delegate).

The Committee may rely on a Participant’s certification that he or she satisfies the definition of an Affected Participant, unless the Committee has actual knowledge to the contrary. Notwithstanding the preceding, the Committee shall have no obligation to inquire into whether a Participant qualifies as an Affected Participant.

ARTICLE X. LOANS

Section 10.1 Hardship Loans.

(a) Hardship Loans. Hardship loans from a person's Account under this Plan are available in accordance with this Section 10.1; provided, however, that the portion of a person's Account allocated to his or her SavingsPLUS Account, Roth Contributions Account, UPS Retirement Contribution Account, UPS Transition Contribution Account, or invested in a Self-Managed Account or the UPS Stock Fund shall not be available for hardship loans. A Participant may apply for a second loan while a first loan is outstanding, provided that repayment on the first loan is being made in a timely manner. Subject to Section 10.2 and Section 10.3, no more than two loans may be outstanding at any one time, and any loan balance which is "rolled over" into a Participant's Account or a loan from a Merged Plan shall be counted for the purpose of this limitation. Any loan application must satisfy spousal consent rules, if applicable. Application for a loan may be made only for the following purposes:

- (1) the purchase of a principal residence;
- (2) the payment of tuition and related educational fees, including room and board expenses, for the next twelve (12) months of post- secondary education for a Participant, his or her Spouse or dependents (as defined in Code § 152, without regard to Code §§ 152(b)(1), 152(b)(2) and 152(d)(1)(B));
- (3) the payment of expenses for medical care (as described in Code § 213(d)) previously incurred by the Participant, his or her Spouse or any dependents (as defined in Code § 152, without regard to Code §§ 152(b)(1), 152(b)(2) and 152(d)(1)(B)), or necessary for those persons to obtain medical care;
- (4) the payment to prevent eviction from or foreclosure on a Participant's principal residence;
- (5) the payment of expenses in connection with the adoption of a child;
- (6) the payment of unreimbursed funeral expenses for a family member of a Participant. For this purpose "family member" shall mean the Spouse of a Participant, the child of a Participant or the Participant's Spouse, the parent or step-parent of a Participant or the Participant's Spouse, the brother or sister of a Participant or the Participant's Spouse, the grandparent of a Participant or the Participant's Spouse, or the grandchild of a Participant or the Participant's Spouse; and
- (7) expenses for the repair or damage to the Participant's principal residence that qualify for the casualty deduction under Code § 165 (determined without regard to Code § 165(h)(5) and without regard to whether the loss exceeds 10% of adjusted gross income).

(8) expenses and losses (including loss of income) incurred by the Participant on account of a disaster declared by the Federal Emergency Management Agency (FEMA) under the Robert T. Stafford Disaster Relief and Emergency Assistance Act, Pub. L. 100-707, provided that the Participant's principal residence or principal place of employment at the time of the disaster was located in an area designated by FEMA for individual assistance with respect to the disaster.

(9) effective January 1, 2023, costs or expenses creating an immediate and heavy financial need that cannot reasonably be satisfied through any other means. The Committee or its designee shall determine whether a Participant's claim for such a loan meets this criteria.

(b) Administration. The Committee will be the named fiduciary responsible for the administration of the loan program under this Plan. The Committee will establish objective nondiscriminatory written procedures for that loan program in compliance with Labor Regulation § 2550.408b-1. Those procedures and any amendments to those procedures, to the extent not inconsistent with the terms of this Plan, are incorporated by this reference as part of this Plan.

(c) Statutory Requirements.

(1) General. All loans made under this Plan will comply with the following requirements under ERISA § 408(b)(1):

(i) Each Participant or Beneficiary of a deceased Participant who is a "party-in-interest" (as defined in ERISA § 3(14)) may request a loan from the Plan;

(ii) Loans will be made available to Participants and Beneficiaries who are eligible for a loan on a reasonably equivalent basis;

(iii) Loans will not be made available to Highly Compensated Employees in an amount greater than the amount made available to other Employees;

(iv) Loans will be made in accordance with specific provisions regarding loans set forth in this Plan and the written loan procedures established by the Committee;

(v) Loans will bear a reasonable rate of interest as set by the Committee; and

(vi) Loans will be adequately secured.

(2) Repayment Period.

(i) Principal and interest on the loan must be repaid in substantially level installments with payments not less frequently

than quarterly over a period of five (5) years or less, or up to fifteen (15) years in the case of a residential loan.

(ii) The Committee may establish such rules as it deems necessary or appropriate for the repayment of loans, including a cure period for repayments. The Committee may permit a Participant who is on a bona fide leave of absence either without pay or with pay that is at a rate that is less than the amount of the installment payments required under the terms of the loan to suspend repayment for the period of the absence (but not to exceed a year, except in the case of a Participant who is performing qualified military service within the meaning of Code § 414(u)(5)). If payments are suspended, the loan will be reamortized on the date that such Participant is no longer entitled to a suspension at the then outstanding principal and interest (including interest accrued during the absence) in substantially equal installments over the remaining loan term. The loan term for a Participant engaged in qualified military service within the meaning of Code § 414(u)(5) shall be extended by the period of such service. Except in the case of a Participant engaged in qualified military service within the meaning of Code § 414(u)(5), in no event shall any loan become due and payable later than the applicable period described in Section 10.1(c)(2)(i). In the case of a suspension of loan payments during a period of qualified military service within the meaning of Code § 414(u)(5), the loan must be paid in full (including interest that accrues during such period) by the end of the original term extended by the period of military service.

(iii) A loan made under this Section 10.1 shall become due and payable in full:

(A) if a Participant's employment as an Employee terminates for any reason whatsoever unless (I) such Participant remains a "party-in-interest" with respect to this Plan following his termination of employment, or (II) for loans outstanding on or after June 30, 2015, the Participant elects to continue self-pay of his or her outstanding loan in accordance with procedures established by the Committee (in lieu of repaying the entire outstanding loan balance);

(B) if the Committee or a Trustee conclude that the Participant or Beneficiary no longer is a good credit risk; or

(C) to the extent permissible under federal law, if a Participant's or Beneficiary's obligation to repay the loan has been discharged through a bankruptcy or any other legal process or action which did not actually result in payment in full.

(3) Limitations on Amounts. No loan will be available to a Participant or a Beneficiary under this Section 10.1 if the Committee determines he or she would be unable to repay such loan in a timely

fashion. The principal amount of a loan made under this Plan to a Participant or Beneficiary, together with the outstanding principal amount of any loan made under any plan maintained by an Affiliate that satisfies the requirements of Code §§ 401 or 403, may not exceed the lesser of:

(i) Fifty percent (50%) of that person's vested portion of his or her Account (excluding any amounts in such person's SavingsPLUS Account, Roth Contribution Account, Self-Managed Account, UPS Stock and subject to any special consent requirements under Appendix 14.3.) at the time the loan is made; or:

(ii) Fifty Thousand Dollars (\$50,000), reduced by the excess (if any) of:

(A) the highest outstanding balance of any previous loans from this Plan and any other plan maintained by an Affiliate during the one-year period ending immediately before the date on which the current loan is made over

(B) the outstanding balance of the previous loans on the date on which the current loan is made.

(iii) Minimum Loan Amount. The minimum loan amount is one thousand dollars (\$1,000).

(4) Interest Rate. The interest rate for a loan made under this Section 10.1 shall be one percent above the prime rate as published in the *Wall Street Journal* as of the last business day of the month preceding the month in which the loan application is made. The interest rate will remain fixed for the duration of the loan except to the extent otherwise required by applicable law.

(5) Method of Repayment. Repayment of a loan made under this Section 10.1 shall be made through payroll withholding except that payment by check, direct deposit or any similar method(s) established by the Committee will be permitted under any circumstances when the Committee determines payroll deduction would be impracticable, prohibitive, or otherwise unavailable. Further, a loan may be repaid in full at any time prior to the expiration of the installment period of such loan by a single sum payment to the Trustees of the outstanding principal balance then due plus any accrued but unpaid interest. All repayments made to an Affiliate shall be transferred to the Trustees as soon as practicable after such Affiliate deducts them or receives them.

(6) Security and Default.

(i) Any loan made to a Participant or Beneficiary under this Section 10.1 shall be secured by an amount equal to the lesser of (A) the outstanding principal and interest due under such loan or (B) fifty percent (50%) of his or her total vested interest in his or her Account (excluding any amounts in such person's SavingsPLUS Account or Roth Contribution Account).

(ii) The events of default shall be set forth in the promissory note and security agreement which evidences the loan, and such events may include the following:

(A) failure to repay the loan before the end of the five (5) year maximum period or fifteen (15) year period in the case of a residential loan set forth in Section 10.1(c)(2).

(B) failure to repay the amount due and payable on the loan upon the occurrence of an event described in Section 10.1(c)(2)(iii).

(iii) Upon default of a loan the Trustees shall upon direction by the Committee foreclose on such loan and exercise the Plan's security interest in the Participant's or Beneficiary's Account by reducing the amount otherwise distributable to him or her under this Plan by the principal amount of the loan plus any accrued but unpaid interest then due at the time of default as determined without regard to whether the loan had been discharged through a bankruptcy or any other legal process or action which did not actually result in payment in full.

(iv) The Committee shall have the power to direct the Trustees to take such action as the Committee deems necessary or appropriate to stop the payment of an Account to or on behalf of a Participant or Beneficiary who fails to repay a loan (without regard to whether his or her obligation to repay such loan had been discharged through a bankruptcy or any other legal process or action) until his or her Account has been reduced by the principal plus accrued but unpaid interest due (without regard to such discharge) on such loan or to distribute the note which evidences such loan in full satisfaction of any interest in such Account which is attributable to the value of such note.

(7) Distribution and Default. The vested portion of an Account actually payable to an individual who has an outstanding loan will be determined by reducing the vested portion of an Account by the amount of the security interest in the Account. Notwithstanding anything to the contrary in this Plan or in the written loan procedures, in the event of default, foreclosure on the note and execution of the security interest in an Account will not occur until a distributable event occurs under this Plan.

(8) Other Conditions. Any loan made under this Plan shall be subject to such other terms, limitations and conditions as the Committee from time to time shall deem necessary or appropriate

(9) Accounting. A loan to a Participant shall be considered a separate investment of the Account of the Participant. The proceeds of the loan shall be withdrawn pro rata from each Investment Option in which the Participant's Account is invested at the time of the loan and repayments of principal and interest on the loan shall be invested in the Investment Options in effect at the time of repayment pursuant to the Participant's investment election under Article VII.

Section 10.2 Rollover of Loan Balances. An Eligible Employee who becomes an Eligible Employee as a result of an acquisition by the Employer or an Affiliate may elect to rollover one or more loans from another qualified retirement plan in connection with the rollover of the Participant's entire balance under such plan. Loans rolled over in this manner will continue to be administered according to the terms of the loan (including without limitation the repayment period, the interest rate, etc.) even if such terms are different than would apply to Participants under this Article X. Notwithstanding the foregoing, (a) if a Participant rolls over more than two loans under this Section 10.2 such Participant may not apply for or take a new loan under Section 10.1(a) until he or she has repaid in full all but one loan, and after such repayment such Participant shall be subject to the limitation set forth in Section 10.1(a) and (b) in no event shall a loan rolled over from another qualified retirement plan include any amounts distributed from a designated Roth account (as defined in Treasury Regulation § 1.402A-1, Q&A-1).

Section 10.3 Loans from Merged Plans. Any outstanding loan under a Merged Plan shall continue to be repaid under this Plan following the merger in accordance with Appendix 14.3, but in accordance with the terms of the loan (including without limitation the repayment period, the interest rate, etc.) even if such terms are different than would apply to Participants under this Article X. Notwithstanding the foregoing, if a Participant had more than two loans under a Merged Plan such Participant may not apply for or take a new loan under Section 10.1(a) until he or she has repaid in full all but one loan, and after such repayment such Participant shall be subject to the limitation set forth in Section 10.1(a).

Section 10.4 Loan Repayment Relief. Notwithstanding the preceding provisions of Article X, an Affected Participant (as defined in Section 9.21) may elect to suspend any loan repayments due between March 27, 2020 and December 31, 2020 (the "Suspension Period"). Following the Suspension Period, the Committee shall, pursuant to a uniform and nondiscriminatory methodology, reamortize any loan for which repayments were suspended, provided that the term of the loan is not extended by more than 1 year from the date the loan was originally due to be repaid. The Committee may, but is not required to, reamortize the loans pursuant to the safe harbor described in Section 5.B. of IRS Notice 2020-50.

ARTICLE XI. TRUST FUND

Section 11.1 Trustee Responsibilities. The Trustees will hold in trust all assets of the Trust Funds and will manage, invest and administer the Trust Funds in accordance with the terms of the trust agreements between the Employer and the Trustees, as amended from time to time, and incorporated herein by reference and this Plan without distinction between principal and income and the Trustees will be responsible for valuing all assets other than UPS Stock.

ARTICLE XII. EXPENSES

The Employer Companies will have the right to pay all or any part of any Plan expenses and to be reimbursed from the Trust Funds for any expenses paid by them that are properly payable from the Trust Funds. Any expenses that cannot be paid from the Trust Funds will be paid by the Employer Companies. To the extent the Employer Companies do not pay a Plan expense, the Committee shall have absolute discretion concerning the payment of such Plan expenses, including the determination of whether such expenses are to be paid by Participants or paid from the Trust Funds, including from forfeiture sources. Unless otherwise directed by the Committee, all reasonable and proper expenses of the Plan and the Trust Funds (within the meaning of ERISA § 403(c)(1) and § 404(a)(1)(A)), including (a) the compensation of each Investment Manager and the Trustees, (b) the expenses related to the Plan's administration and (c) any taxes that may be levied or assessed against the Trustees on account of the Trust Funds will be paid from the Trust Funds, unless the payment of the expense would constitute a "prohibited transaction" within the meaning of ERISA § 406 or Code § 4975. Unless otherwise directed by the Committee, charges for processing distributions, rollovers and loans ("Distribution Expenses") will be allocated directly to the Account of each Participant or Beneficiary who has requested a distribution, rollover or loan. The charges for Distribution Expenses may be established or changed by the Committee from time to time and may vary depending on the type of distribution, rollover or loan requested by the Participant or Beneficiary. Unless otherwise directed by the Committee, all other expenses (other than Distribution Expenses and expenses otherwise paid from the Trust Funds) shall be paid by Participants and shall be allocated among all of the Accounts on a per capita basis.

ARTICLE XIII. ADMINISTRATIVE COMMITTEE

Section 13.1 Committee. The Plan will be administered by a Committee consisting of not less than three members appointed by the Board, each of whom is and shall be a "named fiduciary" with respect to the Plan. The Committee will be the "plan administrator" of the Plan as that term is used in ERISA and the agent for service of process on or with respect to the Plan.

Section 13.2 Vacancies on Committee. Committee members will serve at the pleasure of the Board, and all vacancies will be filled by the Board. Committee members may resign at any time, such resignation to be effective when accepted by the Board.

Section 13.3 Authority of Committee. The Committee will establish rules for the administration of the Plan, and will decide all questions arising in the administration of the Plan not specifically delegated or reserved to the Board, the Employer or the Trustees. Except as otherwise expressly provided in this Plan, the Committee will have the exclusive right and complete discretion and authority to control the operation, management and administration of this Plan, with all powers necessary to enable the Committee to properly carry out such responsibilities, including but not limited to, the power to interpret the Plan, to construe the Plan's terms, and to decide any matters arising in and with respect to the administration and operation of the Plan, and, subject to the claims procedure described in Section 9.18, any interpretations or decisions so made will be final and binding on all persons; provided, however that all such interpretations and decisions will be applied in a uniform manner to all similarly situated persons.

Section 13.4 Action by Committee. The Committee will act by a majority of the Committee members at that time in office. Such action may be taken either by a vote at a meeting or in writing without a meeting. The Committee may appoint subcommittees and also may authorize any one or more of the Committee members or any agent to execute any document or documents or to take any other action on behalf of the Committee, except that no member of the Committee will have the right to take any such action on any matter relating solely to himself or herself or to any of his or her rights or benefits under the Plan.

Section 13.5 Liability of the Committee. The Committee and its members, to the extent of the exercise of their authority, will discharge their duties with respect to the Plan in accordance with ERISA. No member will be responsible for the actions or omissions of another member or of any other party that is a fiduciary with respect to this Plan, other than himself or herself, which are not in conformity with the Plan or ERISA, unless (a) the member knowingly participates in or knowingly conceals such conduct which he or she knows to be in breach of this standard, (b) his or her own conduct has enabled the other member or other fiduciary to be in breach of this standard, or (c) he or she has knowledge of such breach by another member or other fiduciary and fails to make reasonable efforts under the circumstances to remedy such breach.

Section 13.6 Authority to Appoint Officers and Advisors. The Committee may appoint such officers as it may deem advisable and may adopt by-laws covering the transaction of its business. The Committee may appoint and employ an Investment Manager or Managers, counsel, agents and such other service providers, including clerical, accounting and advisory service providers, as it may require in carrying out the provisions of the Plan, and will be fully protected in relying upon any action taken in reliance upon advice given by such persons.

Section 13.7 Committee Meeting. The Committee will hold meetings at such place or places, and at such time or times as it may determine from time to time, but not less frequently than once each calendar quarter.

Section 13.8 Compensation and Expenses of Committee. The members of the Committee may receive reasonable compensation for their services as the Board from time to time may determine. Such compensation and all other expenses of the Committee, including the compensation of officers, actuaries or counsel, agents or others that the Committee may employ, will constitute expenses of the Trust Funds unless paid by the Employer Companies. Notwithstanding the foregoing, any Committee member who is employed on a full-time basis by an Employer Company will receive no compensation, but may be reimbursed for expenses incurred.

Section 13.9 Records. The Committee will keep or cause to be kept accurate and complete books and records.

Section 13.10 Fiduciary Responsibility Insurance, Bonding. If the Employer has not done so, the Committee may purchase appropriate insurance on behalf of the Plan and the Plan's fiduciaries, including the members of the Committee, to cover liability or losses occurring by reason of the acts or omissions of a fiduciary; provided, however, that such insurance, to the extent purchased by the Plan, must permit recourse by the insurer against the fiduciary in the case of a breach of a fiduciary duty or obligation by such fiduciary. The cost of such insurance will be borne by the Trust Funds, unless the insurance is paid for by the Employer. The Committee will also obtain a bond covering all of the Plan's fiduciaries, to be paid from the assets of the Trust Funds.

Section 13.11 Delegation of Specific Responsibilities. The members of the Committee may agree in writing signed by each member to allocate to any one of their number or to other persons (including corporations or other entities) any of the responsibilities with which they are charged pursuant hereto, including the appointment of a record keeper and one or more Investment Managers, provided any agreement allocating such duties will be in writing and kept with the records of the Plan and, in the case of the appointment of an Investment Manager, the person is a named fiduciary. If such delegation is made to a person who is not a member of the Committee, that person or, in the case of a corporation or other entity, its responsible officer, will acknowledge the acceptance and understanding of such duties and responsibilities.

Section 13.12 Allocation of Responsibility Among Fiduciaries for Plan and Trust Administration. The fiduciaries of this Plan, including the Trustees, the Employer, the Board and the Committee, will have only those specific powers, duties, responsibilities and obligations as are specifically given them under this Plan. Each fiduciary warrants that any directions given, information furnished, or action taken will be in accordance with the provisions of the Plan authorizing or providing for such direction, information or action. Furthermore, each fiduciary may rely upon any such direction, information or action of another fiduciary as being proper under this Plan, and is not required under this Plan to inquire into the propriety of any such direction, information or action. It is intended that each fiduciary will be responsible for the proper exercise of its own powers, duties, responsibilities and obligations under this Plan and will not be responsible for any act or failure to act of another fiduciary. No fiduciary guarantees the Trust Funds in any manner against investment loss or depreciation in asset value.

Section 13.13 Indemnification. The Employer (to the extent permissible under the Employer's charter and by-laws and applicable law) will indemnify the officers and employees of the Employer and each Employer Company and the members of the Committee, and their heirs, successors and assigns from and against any liability, assessment, loss, expense or other cost of any kind or description whatsoever, including legal fees and expenses, actually incurred by him or her on account of any action or proceeding, actual or threatened, that arises as a result of his or her acting within the scope of his or her authority under this Plan, provided (a) such action or proceeding does not arise as a result of his or her own gross negligence, willful misconduct or lack of good faith and (b) such protection is not otherwise provided through insurance.

ARTICLE XIV. AMENDMENT, TERMINATION AND MERGER

Section 14.1 Amendment. The Board reserves the right at any time and from time to time to amend this Plan in any respect in writing, and the amendment will be binding upon a Trustee and all Employer Companies without further action; provided, that no amendment will be made that (unless otherwise permissible under applicable law) would (a) divert any of the assets of the Trust Funds to any purpose other than the exclusive benefit of Participants and Beneficiaries, (b) eliminate or reduce an optional form of benefit except to the extent permissible under Code § 411(d)(6) or (c) change the rights and duties of the Trustees without its consent. Notwithstanding the foregoing, this Plan may be amended retroactively to affect the Account maintained for any person if necessary to cause this Plan and the Trust Funds to be exempt from income taxes under the Code.

Section 14.2 Termination. The Employer expects this Plan to be continued indefinitely but, of necessity, reserves the right to terminate or to partially terminate this Plan or to discontinue its contributions at any time by action of the Board. The Employer also reserves the right to terminate or to partially terminate the participation in this Plan by an Employer Company by action of the Board. An Employer Company's participation in this Plan automatically will terminate if, and at such time as, it ceases to satisfy the requirements to be an Employer Company for any reason whatsoever (other than through a merger or consolidation into another Employer Company), but termination of participation by an Employer Company will not be deemed to be a termination or partial termination of the Plan except to the extent required under the Code.

If there is a termination or partial termination of this Plan or a declaration of a discontinuance of contributions to this Plan, the Accounts of all affected Participants who are employees as of the effective date of the termination, partial termination or declaration will become fully vested. The Committee will cause all unallocated amounts to be allocated to the appropriate Accounts of the affected Participants and Beneficiaries. Upon direction of the Committee, the Trustees will distribute Accounts to Participants and Beneficiaries in accordance with uniform rules established by the Committee consistent with Code § 401(a) and Code § 401(k).

Section 14.3 Merger, Consolidation or Transfer of Plan Assets. No merger or consolidation of this Plan with, or transfer of assets or liabilities of this Plan to, any other plan will occur unless each Participant in the Plan would (if the Plan then terminated) receive a benefit immediately after the merger, consolidation, or transfer that is equal to or greater than the benefit he or she would have been entitled to receive immediately before the merger, consolidation or transfer (if the Plan had then terminated).

The Committee may authorize the Trustees to accept a transfer of assets from or to transfer Trust Fund assets to the trustee, custodian or insurance company holding assets of any other plan that satisfies the requirements of Code § 401(a) in connection with a merger or consolidation with or other transfer of assets and liabilities to or from any such plan, provided that the transfer will not affect the qualification of this Plan under Code § 401(a).

Any special provisions that apply to amounts transferred under this Section 14.3 shall be set forth in Appendix 14.3.

ARTICLE XV. MISCELLANEOUS

Section 15.1 Headings. The headings and subheadings in this Plan have been inserted for convenience of reference only and are to be ignored in the construction of the provisions of this Plan. All references to Articles, Sections and to paragraphs will be to Sections, and to subsections of this Plan unless otherwise indicated.

Section 15.2 Construction. In the construction of this Plan, the singular will include the plural in all cases where that meaning would be appropriate. This Plan will be construed in accordance with the laws of the State of Georgia, to the extent that those laws are not preempted by federal law. This Plan will not be construed to grant, nor will grant, any rights or interests to Participants or Beneficiaries in addition to those minimum rights and interests required under ERISA. Further, the Trust Fund is intended to be tax exempt under the Code.

Any reference to a statute will also include a reference to any successor statute and if any amendment renumbers a section of a statute referenced in this Plan, any such reference to such section automatically will become a reference to that section as renumbered.

Section 15.3 Counterparts. This Plan may be executed by the Employer and the Trustees in two or more counterparts, each of which shall be deemed to be an original but all of which taken together shall be deemed to be one document.

Section 15.4 Prohibition Against Attachment.

(a) None of the benefits payable hereunder will be subject to the claims of any creditor of any Participant or Beneficiary other than this Plan nor will those benefits be subject to attachment, garnishment or other legal or equitable process by any creditor of a Participant or Beneficiary other than this Plan, nor will any Participant or Beneficiary have any right to alienate, anticipate, commute, pledge, encumber, or assign any of such benefits.

(b) If any Participant or Beneficiary under the Plan becomes bankrupt or attempts to anticipate, alienate, sell, transfer, assign, pledge, encumber or charge any benefit under the Plan, the interest of such person in such benefit shall, in the discretion of the Committee, cease and terminate, and in that event the Committee may direct the Trustees to hold or apply the same or any part thereof to or for the benefit of such Participant or Beneficiary, his or her Spouse, children, or other dependents, or any of them, in such manner and in such proportion as the Committee may deem proper.

(c) The restrictions of subsections (a) and (b) of this Section will not be violated by either (1) the creation of a right to payments from this Plan by reason of a qualified domestic relations order (as defined in Code § 414(p)) or (2) the making of such payments. In accordance with uniform and nondiscriminatory procedures established by the Committee from time to time, the Committee upon the receipt of a domestic relations order that seeks to require the distribution of a Participant's Account in whole or in part to an alternate payee (as the term is defined in Code § 414(p)(8)) will:

(1) promptly notify the Participant and such alternate payee of the receipt of such order and of the procedure that the Committee will follow

to determine whether such order constitutes a qualified domestic relations order within the meaning of Code § 414(p);

(2) determine whether such order constitutes a qualified domestic relations order, notify the Participant and the alternate payee of the results of such determination and, if the Committee determines that such order does constitute a qualified domestic relations order;

(3) transfer such amounts, if any, from the Participant's Account to a separate bookkeeping account for such alternate payee as the Committee determines necessary to satisfy the requirements of the order and Code § 414(p); and

(4) make such distribution to such alternate payee as the Committee deems called for under the terms of such order in accordance with Code § 414(p) without regard to whether a distribution would be permissible at such time to the Participant under the terms of this Plan.

An alternate payee will be treated the same as a Beneficiary of a deceased Participant pending the distribution of such alternate payee's entire interest under this Plan. Further, an alternate payee who is the Spouse or former Spouse of the Participant may elect that any distribution that qualifies as an eligible rollover distribution (within the meaning of Code § 401(a)(31)) be transferred directly to an eligible retirement plan in accordance with Section 9.13.

Section 15.5 Benefits Supported Only by the Trust Funds. Any person having any claim for any benefit under this Plan must look solely to the assets of the Trust Funds for satisfaction. In no event will the Trustees, the Employer, an Employer Company, the Committee or any of their officers, directors or agents be liable in their individual capacities to any person whomsoever for the payment of benefits under the provisions of this Plan.

Section 15.6 Satisfaction of Claims. Any payment to a Participant or Beneficiary, or to the legal representative or heirs-at-law of either, made in accordance with the provisions of this Plan will to the extent of such payment be in full satisfaction of all claims under this Plan against the Trustees, the Employer, any Employer Company and the Committee, any of whom may require that person, his or her legal representative or heirs-at-law, as a condition precedent to such payment, to execute a receipt and release in a form acceptable to the Committee.

Section 15.7 Nonreversion. No part of the Trust Funds will ever be used for or be diverted to purposes other than for the exclusive benefit of Participants and Beneficiaries except that, upon direction of the Committee, the Trustees will return contributions to the Employer Companies in the following circumstances, to the extent permitted by the Code and ERISA:

(a) a contribution that is made by a mistake of fact will be returned, provided the return is made within one year after the payment of such contribution; and

(b) a contribution may be returned to the extent that the Internal Revenue Service denies an income tax deduction of such contribution, provided such return is made within one year after such denial, all such contributions being

made expressly on the condition that such contributions are deductible in full for federal income tax purposes.

Section 15.8 Top-Heavy Plan.

(a) Determination. The Committee as of the last day of each Plan Year (the “determination date”) will determine the sum of the present value of the accrued benefits of “key employees” (as defined in Code § 416(i)(1)) and the sum of the present value of the accrued benefits of all other employees in accordance with the rules set forth in Code § 416(g), or will take such other action as the Committee deems appropriate to conclude that no such determination is necessary under the circumstances. If the sum of the present value of the accrued benefits of such key employees exceeds sixty percent (60%) of the sum of the present value of the accrued benefits of all employees as of the determination date, this Plan will be “top-heavy” for the immediately following Plan Year. For purposes of this Section, the present value of the accrued benefit of each employee will be equal to the sum of:

(1) the balance of the employee’s Account under this Plan (determined for this purpose as of the last day of each Plan Year, which is the “valuation date” for this Plan);

(2) the present value of the employee’s accrued benefit, if any, (determined as of the most recent valuation date occurring within a twelve (12)-month period ending on the determination date) under:

(i) each qualified plan (as described in Code § 401(a)) maintained by an Affiliate (A) in which a key employee is a participant or (B) that enables any plan described in subclause (ii) to meet the requirements of Code § 401(a)(4) or § 410 (the “required aggregation group”), and

(ii) each other qualified plan maintained by an Affiliate (other than a plan described in clause (i) that may be aggregated with this Plan and the plans described in clause (i), provided such aggregation group (including a plan described in this clause (ii) continues to meet the requirements of Code § 401(a)(4) and § 410 (the “permissive aggregation group”); and

(3) the value of any withdrawals and distributions made from this Plan and the plans described in (2) above during the 1-year period ending on such determination date and the value of any contributions due under this Plan and the defined contribution plans described in (2) above but as yet unpaid as of such determination date. The preceding sentence shall also apply to distributions under a terminated plan which, had it not been terminated, would have been required to be aggregated with the Plan under Code § 416(g)(2)(A)(i). In the case of a distribution made for a reason other than Severance from Employment, death or disability, this provision shall be applied by substituting “5-year period” for “1-year period.”

provided, however, the accrued benefit of any employee will be disregarded if such employee has not performed any services for any Affiliate at any time during

the one (1) year period ending on the date as of which such determination is made.

(b) Special Top-Heavy Contribution. If the Committee determines that this Plan is “top-heavy” for any Plan Year, the following special rules will apply notwithstanding any other rules to the contrary set forth elsewhere in this Plan.

A contribution will be made for each Participant who is an Eligible Employee on the last day of such Plan Year that, when added to the employer contribution and forfeitures otherwise allocated on behalf of such individual for such Plan Year under this Plan and any other defined contribution plan maintained by an Affiliate, is equal to:

(1) for each such Eligible Employee who is not a participant in a top-heavy defined benefit plan maintained by the Employer or an Affiliate, the lesser of (a) three percent (3%) of such Eligible Employee’s Compensation for such year or (b) the percentage at which contributions are made (or are required to be made) for such year to the key employee for whom such percentage is the highest; or

(2) for each such Eligible Employee who also participates in a top-heavy defined benefit plan maintained by the Employer or an Affiliate, five percent (5%) of such Eligible Employee’s Compensation for such year;

provided, however, that no such contribution will be made under this Section for any Eligible Employee to the extent such Eligible Employee receives the top-heavy minimum contributions (as described in Code § 416(c)) under another defined contribution plan maintained by the Employer or an Affiliate for such Plan Year.

SavingsPLUS Contributions shall be taken into account for purposes of satisfying the minimum contribution requirements of Code § 416(c)(2) and the Plan. The preceding sentence shall apply with respect to SavingsPLUS Contributions or, if the minimum contribution requirement is met in another defined contribution plan, such other plan. SavingsPLUS Contributions that are used to satisfy the minimum contribution requirements shall be treated as employer matching contributions for purposes of the actual contribution percentage test and the other requirements of Code § 401(m).

Section 15.9 USERRA. Notwithstanding anything in this Plan to the contrary, contributions, benefits and service credit with respect to qualified military service shall be provided in accordance with Code § 414(u). Additionally, to the extent required under Code § 414(u), a Participant eligible to make contributions to this Plan with respect to a period of military leave from an employer that sponsored a merged plan (as listed in Appendix 15.9) and which leave occurred (all or in part) prior to the merger of such merged plan into this Plan, and the amount of such contributions for the portion of the leave that occurred prior to the merger shall be determined under the terms of the merged Plan as in effect during the period of the applicable leave.

In the case of a Participant who dies while performing qualified military service (as defined in Section 414(u) of the Code), his or her Beneficiary shall be entitled to any

additional benefits (other than benefit accruals relating to the period of qualified military service) provided under the Plan had the Participant resumed and then terminated employment on account of death.

Section 15.10 Family and Medical Leave Act. Notwithstanding any other provision, this Plan shall be interpreted and administered in all respects so that it complies with the Family and Medical Leave Act of 1993, as may be amended from time to time.

Section 15.11 No Estoppel of Plan. No person is entitled to any benefit under this Plan except and to the extent expressly provided under this Plan. The fact that payments have been made from this Plan in connection with any claim for benefits under this Plan does not (a) establish the validity of the claim, (b) provide any right to have such benefits continue for any period of time, or (c) prevent this Plan from recovering the benefits paid to the extent that the Committee determines that there was no right to payment of the benefits under this Plan. Thus, if a benefit is paid to a person under this Plan and it is thereafter determined by the Committee that such benefit should not have been paid (whether or not attributable to an error by such person, the Committee or any other person), then the Committee may take such action as the Committee deems necessary or appropriate to remedy such situation, including without limitation by (1) deducting the amount of any overpayment theretofore made to or on behalf of such person from any succeeding payments to or on behalf of such person under this Plan or from any amounts due or owing to such person by the Employer or any Affiliate or under any other plan, program or arrangement benefiting the employees or former employees of the Employer or any Affiliate, or (2) otherwise recovering such overpayment from whoever has benefited from it.

If the Committee determines that an underpayment of benefits has been made, the Committee will take such action as it deems necessary or appropriate to remedy such situation. However, in no event will interest be paid on the amount of any underpayment other than the investment gains (or losses) credited to the Participant's Account pending payment.

IN WITNESS WHEREOF, the undersigned certify that United Parcel Service of America, Inc., based upon action by its Board of Directors has caused this Amendment and Restatement to be adopted.

UNITED PARCEL SERVICE OF AMERICA, INC.

By: /s/ NORMAN M BROTHERS, JR.
Norman M. Brothers, Jr.
Director

Date: December 19, 2022

By: /s/ BRIAN NEWMAN
Brian Newman
Director

Date: December 20, 2022

**Appendix 1.25
Employer Companies**

Employer	Savings Plan Adoption Date	Participation Ended
BT Realty Holdings II, Inc.	May 18, 1999	
BT Realty Holdings, Inc.	May 18, 1999	December 21, 2011
Connectship, Inc.	July 17, 2001	
Fritz Companies, Inc. (including UPS Full Service Brokerage, Inc. merged 7/1/02)	July 1, 2001	July 1, 2002
i-Parcel, LLC	October 5, 2014	
iShip, Inc.	December 1, 2001	
Motor Cargo Industries, Inc. (includes Motor Cargo which was merged 5/1/06)	January 1, 2006	May 1, 2006
New Neon Company, Inc.	November 1, 2001	No longer in existence
Overnite Corporation	January 1, 2006	July 13, 2011
Overnite Transportation Company (includes Motor Cargo Distribution Services, Inc. which was merged 5/1/06)	January 1, 2006	December 31, 2008
Parcel Pro, Inc. (CA, FL, NY)	May 28, 2015	December 20, 2016
The UPS Store, Inc.	March 9, 2001	
Trailer Conditioners, Inc.	January 1, 1998	December 31, 2009
United Parcel Service Co.	January 1, 1998	
United Parcel Service of America, Inc.	January 1, 1998	
United Parcel Service, Inc. (New York)	January 1, 1998	Merged into Limited Parcel Service, Inc. (Ohio) January 1, 2009
United Parcel Service, Inc. (Ohio)	January 1, 1998	
UPS Aviation Services, Inc.	January 1, 1998	No longer in existence
UPS Aviation Technologies, Inc.	January 1, 1998	August 22, 2003
UPS Capital Business Credit (Formerly First International Bank)	September 1, 2001	January 2, 2015
UPS Capital Business Credit of New Jersey, Inc. (Formerly First International Capital Corporation of New Jersey)	September 1, 2001	Dissolved January 2, 2015
UPS Capital Corporation, Inc.	May 28, 1998	
UPS Capital Insurance Agency, Inc. (Formerly Glenlake Insurance Agency, Inc.)	July 29, 1998	
UPS Capital Insurance Agency, Inc. of California (Formerly Glenlake Insurance Agency, Inc. of California)	August 10, 1999	December 21, 2009
UPS Cartage Services, Inc.	October 27, 2004	
UPS Consulting, Inc.	February 8, 2001	Dissolved August 20, 2007

UPS Customhouse Brokerage, Inc.	January 1, 1998	
UPS Expedited Mail Services, Inc.	April 6, 2001	
UPS Full Service Brokerage, Inc.	June 6, 2000	July 1, 2002
UPS General Services Co.	January 1, 1998	
UPS Global Forwarding Services, Inc. (including Livingston Healthcare Services, Inc. merged 12/31/01)	July 1, 2001	December 31, 2001
UPS Global Innovations, Inc.	January 27, 2000	
UPS Ground Freight d/b/a UPS Freight (Formerly Overnight Transportation Company)	January 1, 2006	
UPS International General Services Co.	January 1, 1998	
UPS Latin America, Inc.	January 1, 1998	
UPS Logistics Group, Inc.	January 1, 1998	December 31, 2002
UPS Logistics Technologies, Inc.	January 1, 1998	December 31, 2010
UPS Mail Boxes Etc., Inc.	April 30, 2001	October 1, 2012
UPS Mail Innovations, Inc. (Formerly UPS Messaging Inc.)	February 1, 2001	No Employees
UPS Mail Technologies, Inc. (Formerly Mail2000, Inc.)	February 1, 2001	May 29, 2003 (Sold to DST Output of California, Inc.)
UPS Market Drivers, Inc.	May 7, 2002	
UPS Procurement Services Corporation	January 1, 1998	No Employees
UPS Service Parts Logistics, Inc.	July 1, 2001	Dissolved December 31, 2004
UPS Supply Chain Solutions, Inc. (includes Diversified Trimodal, Inc. d/b/a Martrac, UPS Supply Chain Management Nevada, Inc., UPS Supply Chain Management Tristate, Inc., UPS Logistics Group Americas, Inc. which were all merged through a series of mergers 12/31/02)	January 1, 1998 (July 1, 2001 for UPS Supply Chain Management Tristate, Inc., UPS Logistics Group Americas, Inc. and UPS Supply Chain Management Nevada, Inc.)	
UPS Supply Chain Solutions General Services, Inc.	January 27, 2000	
UPS Telecommunications, Inc. (UPS Teleservices)	July 1, 2001	
UPS Trade management Services, Inc.	August 10, 1981	
UPS Worldwide Forwarding, Inc.	January 1, 1998	
UPSLG Puerto Rico, Inc.	July 1, 2001	Dissolved December 31, 2004
Worldwide Dedicated Services, Inc.	January 1, 1998	Merged with UPS Ground Freight December 31, 2014
Coyote Logistics, LLC	July 1, 2016	
Zone Solutions, LLC	January 1, 2018	
Sandler & Travis Trade Advisory Services, Inc.	January 1, 2018	

Appendix 1.68

LEGACY MIP PERCENTAGE BY JOB GROUP

JOB GROUP	SUBGROUP (If Any)	LEGACY MIP PERCENTAGE
74		100.00000%
77		100.00000%
79		100.00000%
82		100.00000%
84		100.00000%
86		100.00000%
88	A	33.33333%
88	B	37.50000%
88	C	40.47619%
89	A	50.00000%
89	B	54.54545%
89	C	56.66667%
92		56.66667%
93	A	27.27273%
93	B	29.82456%
94	A	45.33333%
94	B	46.66667%
96	A	40.00000%
96	B	41.17647%
97	A	37.77778%
97	B	38.88889%
98	A	26.15385%
98	B	26.92308%
98	C	20.60606%
98	D	21.21212%

- 88 / A - Prior target performance incentive award percentage of 12.5% or prior target performance incentive award level of 0.75 units
- 88 / B - Prior target performance incentive award percentage of 15%
- 88 / C - Prior target performance incentive award level of 1 unit
- 89 / A - Prior target performance incentive award level of 1.5 units
- 89 / B - Prior target performance incentive award percentage of 30%
- 89 / C - Prior target performance incentive award level of 2 units
- 93 / A - Prior target performance incentive award percentage of 15%
- 93 / B - Prior target performance incentive award level of 1 unit
- 94 / A - Prior target performance incentive award level of 2 units
- 94 / B - Prior target performance incentive award percentage of 35%
- 96 / A - Prior target performance incentive award level of 2 units
- 96 / B - Prior target performance incentive award percentage of 35%
- 97 / A - Prior target performance incentive award level of 2 units
- 97 / B - Prior target performance incentive award percentage of 35%
- 98 / A - Management Committee, excluding the CEO: prior target performance incentive award level of 2 units
- 98 / B - Management Committee, excluding the CEO: prior target performance incentive award percentage of 35%
- 98 / C - CEO: prior target performance incentive award level of 2 units

98 / D - CEO: prior target performance incentive award percentage of 35%

For Participants in Job Group 88 in UPS Freight with a Target Performance Incentive Award amount of \$7,500 under MIP prior to January 1, 2011, the Legacy MIP Percentage will reflect the ratio of (1) \$7,500 to (2) the sum of \$7,500 and 25% of the Participant's current Annualized Salary

For the purposes of this Appendix 1.68, the following shall apply:

Annualized Salary means (1) for Participants in the MIP, the monthly rate of base salary determined as of December 1 multiplied by 12 and (2) for Participants in the IMIP, the rate of pay for a single fixed pay installment determined as of December 1 multiplied by the number of mandatory fixed pay installments for the year.

Legacy MIP Percentage means for each Participant the percentage described in the table in this Appendix 1.68 for his or her job group as determined based on his or her classification as of the Record Date in the preceding Plan Year.

Performance Incentive Award means for each Plan Year the performance incentive award under MIP or IMIP transferred to or on behalf of the Participant in that Plan Year.

Performance Incentive Award Limit means the product of the Legacy MIP Percentage and the value of the Performance Incentive Award.

Record Date means December 1 or such other record date as is determined under the MIP for each Participant who is eligible for a MIP award or under the IMIP for each Participant who is eligible for an IMIP award.

**APPENDIX 4.1 SavingsPLUS Contribution Levels
Effective as of January 1, 2017**

(A) SavingsPLUS Contribution Level Calculation prior to January 1, 2023

Prior to January 1, 2023, the matching percentage of a Participant’s Pre-Tax Contributions for purposes of Section 4.1 is calculated based on (i) the Employer Company that employs such Participant and (ii) the Participant’s most recent Employment Commencement Date, Reemployment Commencement Date, or the date of transfer from ineligible to Eligible Employee Status, as specified in this Appendix 4.1.

For purposes of this Appendix 4.1, the term “Status Date” shall mean the Participant’s most recent Employment Commencement Date, Reemployment Commencement Date, or date of transfer from ineligible to Eligible Employee status (the “Status Date”).

For purposes of this Appendix 4.1, the term “Employer Company Group” shall mean the group of Employer Companies applicable to the Participant as of the last day of the Accounting Period as set forth below (the “Employer Company Group”)

The SavingsPLUS Contribution Level for a Participant shall be determined based on the Participant’s Status Date and the Employer Company that employs that Participant as of the last day of the Accounting Period, and the Participant’s Eligible Compensation, as determined by the tables below:

Employer Company Group	Status Date Prior to 1/1/08	Status Date on or after 1/1/08, but prior to 7/1/16	Status Date on or after 7/1/16
A	50% SavingsPLUS match on up to 5% of Eligible Compensation	100% SavingsPLUS match on up to 3.5% of Eligible Compensation	50% SavingsPLUS match on up to 6% of Eligible Compensation
B	50% SavingsPLUS Match on up to 2% of Eligible Compensation	100% SavingsPLUS match on up to 1% of Eligible Compensation	100% SavingsPLUS match on up to 1% of Eligible Compensation
C	N/A	N/A	50% SavingsPLUS match on up to 6% of Eligible Compensation

Employer Company Group A: The following Employer Companies are considered part of Employer Company Group A for purposes of determining the SavingsPLUS match noted above:

Employer
BT Realty Holdings II, Inc.
Connectship, Inc.
i-Parcel LLC
iShip, Inc.
Parcel Pro, Inc. (CA, FL, NY)
The UPS Store, Inc.
United Parcel Service Co.
United Parcel Service of America, Inc.
United Parcel Service, Inc. (Ohio)
UPS Capital Business Credit (Formerly First International Bank)
UPS Capital Corporation, Inc.
UPS Capital Insurance Agency, Inc. (Formerly Glenlake Insurance Agency, Inc.)
UPS Cartage Services, Inc.
UPS Customhouse Brokerage, Inc.
UPS Expedited Mail Services, Inc.
UPS General Services Co.
UPS Global Innovations, Inc.
UPS International General Services Co.
UPS Latin America, Inc.
UPS Market Driver, Inc.
UPS Mail Innovations, Inc. (Formerly UPS Messaging Inc.)
UPS Procurement Services Corporation
UPS Supply Chain Solutions General Services, Inc.
UPS Supply Chain Solutions, Inc. (includes Diversified Trimodal, Inc. d/b/a Martrac, UPS Supply Chain Management Nevada, Inc., UPS Supply Chain Management Tristate, Inc., UPS Logistics Group Americas, Inc. which were all merged through a series of mergers 12/31/02)
UPS Telecommunications, Inc. (UPS Teleservices)
UPS Trade Management Services, Inc.
UPS Worldwide Forwarding, Inc.
Sandler & Travis Trade Advisory Services, Inc.

Employer Company Group B: The following Employer Companies are considered part of Employer Company Group B for purposes of determining the SavingsPLUS match noted above:

Employer

Employer Company Group C: The following Employer Companies are considered part of Employer Company Group C for purposes of determining the SavingsPLUS match noted above:

Employer
Coyote Logistics, LLC

(B) SavingsPLUS Contribution Level Calculation on and after January 1, 2023

For Plan Years beginning on and after January 1, 2023, unless otherwise specified below, the matching percentage of a Participant's Pre-Tax Contributions for purposes of Section 4.1 is calculated based on the table below, regardless of the Participant's Employer Company:

SavingsPLUS Contribution Level
50% SavingsPLUS match on up to 6% of Eligible Compensation

Notwithstanding the foregoing, the Participants employed by the following Employer Companies on the last day of an Accounting Period shall receive the SavingsPLUS Contribution levels set forth below for such Accounting Period:

- Marken Ltd.

SavingsPLUS Contribution Level
NONE

**APPENDIX 4.2 UPS Retirement Contribution Levels
Effective as of January 1, 2017**

(A) UPS Retirement Contribution Levels prior to January 1, 2023

For purposes of this Appendix 4.2(A), the term “Employer Company Group” shall mean the group of Employer Companies applicable to the Participant as of the last day of the Plan Year as set forth below (the “Employer Company Group”). For Plan Years beginning on or after January 1, 2018, if during such a Plan Year but prior to the last day of the Plan year, a Participant has a Severance from Employment, a transfer from Eligible Employee to ineligible status, or a transfer to an Employer Company that does participate in UPS Retirement Contributions, that Participant’s Employer Company Group shall be determined using the Employer Company that employed the Participant immediately prior to his or her Severance from Employment, transfer from Eligible Employee to ineligible status, or transfer to a non-participating Employer Company (as applicable). Additionally, “Eligible Compensation” for purposes of the UPS Retirement Contribution shall only take into account amounts earned or attributable to periods during which the Participant was employed as an Employee by an Employer Company that participates in UPS Retirement Contributions.

The UPS Retirement Contribution Level is determined by the Employer Company Group for which the Participant is employed on the last day of the Plan Year (or otherwise as set forth in the previous paragraph) and the number of UPS Retirement Contribution Years of Service, subject to the eligibility requirements of Section 4.2 of the Plan.

Employer Company Group	0-4 UPS Retirement Contribution Years of Service	5-9 UPS Retirement Contribution Years of Service	10-14 UPS Retirement Contribution Years of Service	15 + UPS Retirement Contribution Years of Service
A	5% of Eligible Compensation	6% of Eligible Compensation	7% of Eligible Compensation	8% of Eligible Compensation
B	3% of Eligible Compensation	3.5% of Eligible Compensation	4% of Eligible Compensation	4.5% of Eligible Compensation

Employer Company Group A: The following Employer Companies are considered part of Employer Company Group A for purposes of determining the UPS Retirement Contribution noted above:

Employer
BT Realty Holdings II, Inc.
United Parcel Service Co.
United Parcel Service of America, Inc.
United Parcel Service, Inc. (Ohio)
UPS Capital Corporation, Inc.
UPS Capital Insurance Agency, Inc. (Formerly Glenlake Insurance Agency, Inc.)
UPS General Services Co.
UPS Global Innovations, Inc.
UPS International General Services Co.
UPS Latin America, Inc.
UPS Market Drivers
UPS Procurement Services Corporation
UPS Worldwide Forwarding, Inc.

Employer Company Group B: The following Employer Companies are considered part of Employer Company Group B for purposes of determining the UPS Retirement Contribution noted above:

Employer
Connect Ship, Inc.
i-Parcel LLC
iShip, Inc.
The UPS Stores, Inc.
UPS Cartage Services, Inc.
UPS Customhouse Brokerage, Inc.
UPS Expedited Mail Services, Inc.
UPS Mail Innovations, Inc. (Formerly UPS Messaging, Inc.)
UPS Supply Chain Solutions General Services, Inc.
UPS Supply Chain Solutions, Inc. (Includes Diversified Trimodal, Inc. d/b/a/ Martrac, UPS Supply Chain Management Nevada, Inc., UPS Supply Chain Management Tristate, Inc., UPS Logistics Group Americas, Inc. which were all merged through a series of mergers 12/31/02)
UPS Telecommunications, Inc. (UPS Teleservices)
UPS Trade Management Services
Sandler & Travis Trade Advisory Services, Inc.

(B) UPS Retirement Contribution Levels for Plan Years beginning on and after January 1, 2023

For Plan Years beginning on or after January 1, 2023, the amount of the UPS Retirement Contribution shall be as specified below:

0-4 UPS Retirement Contribution Years of Service	5-9 UPS Retirement Contribution Years of Service	10-14 UPS Retirement Contribution Years of Service	15 + UPS Retirement Contribution Years of Service
5% of Eligible Compensation	6% of Eligible Compensation	7% of Eligible Compensation	8% of Eligible Compensation

“Eligible Compensation” for purposes of the UPS Retirement Contribution shall only take into account amounts earned or attributable to periods during which the Participant was employed as an Employee by an Employer Company that participates in UPS Retirement Contributions.

For Plan Years beginning on and after January 1, 2023, all Employer Companies shall participate in the UPS Retirement Contribution as described in Section 4.2, with the exception of the following:

- Coyote Logistics, LLC
- Marken Ltd.

APPENDIX 4.3 UPS Transition Contribution Levels
Effective as of January 1, 2023

All Employer Companies participate in UPS Transition Contributions described in Section 4.3, with the exception of the following:

- Coyote Logistics, LLC
- Marken Ltd.

For clarification, the restriction in Section 4.3(c)(iii) regarding Overnite's or UPS Freight's Special Services Division or OMC Logistics shall continue to apply for periods beginning on and after January 1, 2023.

**APPENDIX 4.3A UPS Transition Contribution Participant
Eligible International Service Participant**

Employee ID	Plan Hire Date	International Benefit Service Under § 1.26(b) (Identify period of service that will be credited as International Benefit Service - for example, from January 1, 2000 - December 31, 2010)	International Plan Offset Under § 3.1(e)(iii)(4) (Identify Plan)
1017014	8/6/1981	8/6/1981 - 4/30/2000	UPS Canada Retirement Plan
1324046	1/1/1991	1/1/1991 - 9/30/2001	N/A
0537417	10/8/1981	10/8/1981 - 6/6/2004	UPS Canada Retirement Plan
3673548	10/1/1989	10/1/1989 – 9/30/2010	N/A
0537797	1/22/1996	1/22/1996 – 3/31/2010	UPS Canada Retirement Plan
0537127	11/1/1998	11/1/1988- 12/31/2009	UPS Canada Retirement Plan
0538009	2/16/1998	2/16/1998 – 6/30/2006	UPS Canada Retirement Plan
0537680	3/3/1982	3/31/1982 – 12/31/2004	UPS Canada Retirement Plan
1181278	4/1/1985	4/1/1985 – 12/31/2004	UPS Canada Retirement Plan
0538370	12/14/1989	12/14/1989 – 5/31/2004	UPS Canada Retirement Plan
1201182	3/9/1981	3/9/1981 – 3/31/2003	UPS Canada Retirement Plan
0537953	3/25/1985	3/25/1985 – 5/31/2002	UPS Canada Retirement Plan
1404819	2/28/1990	2/28/1990- 12/31/2001	UPS Canada Retirement Plan
0536913	1/24/1984	1/24/1984 – 3/31/2006	UPS Canada Retirement Plan

1976301	11/6/1991	11/6/1991 – 12/31/2005	UPS Pension and Life Assurance Plan
2083898	8/24/1987	8/24/1987 – 8/31/2006	UPS Pension and Life Assurance Plan
0874734	11/5/1990	11/5/1990 – 8/31/1999	UPS Pension and Life Assurance Plan
1276145	8/1/1992	8/1/1992 – 3/14/2001	N/A
0792619	3/1/1994	3/1/1994 – 12/31/2006	N/A
1001828	1/9/1992	1/9/1992 – 9/30/2006	FR-ARRCCO/AGIRC
1788699	12/19/2004	12/19/2004 – 9/30/2009	N/A
1790026	12/19/2004	12/19/2004 – 9/30/2009	N/A
3636142	8/25/2004	8/25/2004 – 12/31/2009	HK-Manulife MPF
2175461	6/16/2003	6/16/2003 – 12/31/2006	HK-Manulife MPF
0956300	4/1/1992	4/1/1992 – 11/15/1999	N/A
1499487	4/7/1997	4/7/1997 – 4/30/2006	N/A
1177512	9/12/1998	9/12/1988 – 11/30/2000	Taiwan LSA plan
0773819	5/3/1999	10/1/2006 – 1/31/2014	N/A

Appendix 5.2 MAXIMUM BENEFITS

The limitations of this Appendix shall apply in Limitation Years beginning on or after July 1, 2007, except as otherwise provided herein. Capitalized terms are defined in Section 3 hereof or, if not defined in Section 3, in the main body of the Plan. All Section references are to Sections of this Appendix 5.2, except as otherwise provided.

Section 1.1. If the Participant does not participate in, and has never participated in another qualified plan maintained by the Employer or a welfare benefit fund, as defined in Code § 419(e) maintained by the Employer, or an individual medical account, as defined in Code § 415(1)(2), maintained by the Employer, or a simplified employee pension, as defined in Code § 408(k), maintained by the Employer, which provides an annual addition as defined in Section 3.1, the amount of Annual Additions which may be credited to the Participant's Account for any Limitation Year will not exceed the lesser of the Maximum Permissible Amount or any other limitation contained in this Plan. If the Employer contribution that would otherwise be contributed or allocated to the Participant's Account would cause the Annual Additions for the Limitation Year to exceed the Maximum Permissible Amount, the amount contributed or allocated will be reduced so that the Annual Additions for the Limitation Year will equal the Maximum Permissible Amount.

Section 2.1. This Section applies if, in addition to this Plan, the Participant is covered under another qualified defined contribution plan maintained by the Employer, a welfare benefit fund maintained by the Employer, an individual medical account maintained by the Employer, or a simplified employee pension maintained by the Employer (collectively "Qualified Plans"), that provides an Annual Addition during any Limitation Year. The Annual Additions which may be credited to a Participant's Account under this Plan for any such Limitation Year will not exceed the Maximum Permissible Amount reduced by the Annual Additions credited to a Participant's Account under the other Qualified Plans for the same Limitation Year. If the Annual Additions with respect to the Participant under other Qualified Plans maintained by the Employer are less than the Maximum Permissible Amount and the Employer contribution that would otherwise be contributed or allocated to the Participant's Account under this Plan would cause the Annual Additions for the Limitation Year to exceed this limitation, the amount contributed or allocated will be reduced so that the Annual Additions under all such plans and funds for the Limitation Year will equal the Maximum Permissible Amount. If the Annual Additions with respect to the Participant under such other Qualified Plans, in the aggregate are equal to the Maximum Permissible Amount, no amount will be contributed or allocated to the Participant's Account under this Plan for the Limitation Year.

Section 3. Definitions.

Section 3.1. **Annual Additions.** The sum of the following amounts credited to a Participant's Account for the Limitation Year:

- (a) employer contributions;
- (b) employee contributions;
- (c) forfeitures;

(d) amounts allocated to an individual medical account, as defined in Code § 415(1)(2), which is part of a pension or annuity plan maintained by the Employer are treated as Annual Additions to a defined contribution plan. Also amounts derived from contributions paid or accrued which are attributable to post-retirement medical benefits, allocated to the separate

account of a key employee, as defined in Code § 419A(d)(3), under a welfare benefit fund, as defined in Code § 419(e), maintained by the Employer are treated as Annual Additions to a defined contribution plan; and

(e) allocations under a simplified employee pension.

Section 3.2. Compensation. For purposes of Code § 415, Compensation is defined as wages, within the meaning of Code § 3401(a), and all other payments of compensation to an employee by the Employer (in the course of the employer's trade or business) for which the Employer is required to furnish the employee a written statement under §§ 6041(d), 6051(a)(3), and 6052 (i.e., wages, tips and other compensation as reported on Form W-2). Compensation shall be determined without regard to any rules under Code § 3401(a) that limit the remuneration included in wages based on the nature or location of the employment or the services performed (such as the exception for agricultural labor in Code § 3401(s)(2)).

Except as provided herein, Compensation for a Limitation Year is the compensation actually paid or made available during such Limitation Year.

For Limitation Years beginning on or after July 1, 2007, Compensation for a Limitation Year shall also include compensation paid by the later of 2 ½ months after an employee's severance from employment with the employer maintaining the plan or the end of the Limitation Year that includes the date of the employee's severance from employment with the employer maintaining the plan if: (a) the payment is regular compensation for services during the employee's regular working hours, or compensation for services outside the employee's regular working hours (such as overtime or shift differential), commissions, bonuses, or other similar payments, and, absent a severance from employment, the payments would have been paid to the employee while the employee continued in employment with the employer; (b) the payment is for unused accrued bona fide sick, vacation or other leave that the employee would have been able to use if employment had continued; or (c) the payment is received by the employee pursuant to a nonqualified unfunded deferred compensation plan and would have been paid at the same time if employment had continued, but only to the extent includible in gross income.

Any payments not described above shall not be considered Compensation if paid after severance from employment, even if they are paid by the later of 2 ½ months after the date of severance from employment or the end of the Limitation Year that includes the date of severance from employment, except, payments to an individual who does not currently perform services for the employer by reason of qualified military service (within the meaning of Code § 414(u)(1)) to the extent these payments do not exceed the amounts the individual would have received if the individual had continued to perform services for the employer rather than entering qualified military service.

Back pay, within the meaning of Treasury Regulation § 1.415(c)-2(g)(8), shall be treated as Compensation for the Limitation Year to which the back pay relates to the extent the back pay represents wages and compensation that would otherwise be included under this definition.

For Limitation Years beginning after December 31, 1997, Compensation paid or made available during such Limitation Year shall include amounts that would otherwise be included in Compensation but for an election under Code § 125(a), § 402(e)(3), § 402(h)(1)(B), § 402(k), or § 457(b). For Limitation Years beginning after December 31, 2000, Compensation shall also include any elective amounts that are not includible in the gross income of the employee by reason of Code § 132(f)(4). For Limitation Years beginning after December 31, 2001, Compensation shall also include deemed § 125 compensation. Deemed § 125 compensation is an amount that is excludable under Code § 106 that is not available to a participant in cash in lieu of group health coverage under a Code § 125 arrangement solely because the participant is

unable to certify that he or she has other health coverage. Amounts are deemed § 125 compensation only if the employer does not request or otherwise collect information regarding the participant's other health coverage as part of the enrollment process for the health plan.

Effective for years beginning after December 31, 2008, a Participant receiving a differential wage payment (as described in Code § 414(u)(12)) shall be treated as an employee of the Employer making the differential wage payment and, for purposes of this Appendix 5.2, the differential wage payment shall be treated as Compensation.

Section 3.3. Defined Contribution Dollar Limitation. \$40,000, as adjusted under Code § 415(d).

Section 3.4. Employer. Employer means United Parcel Service of America, Inc. and Affiliates.

Section 3.5. Limitation Year. The calendar year. All qualified plans maintained by the Employer must use the same Limitation Year. If the Limitation Year is amended to a different 12-consecutive month period, the new Limitation Year must begin on a date within the Limitation Year in which the amendment is made.

Section 3.6. Maximum Permissible Amount.

Except for catch up contributions described in Code § 414(v), the Maximum Permissible Amount for any Limitation Year shall not exceed the lesser of:

- (a) \$40,000, as adjusted for increases in the cost-of-living under Code § 415(d), or
- (b) 100 percent of the Participant's Compensation for the Limitation Year.

The Compensation limit referred to in (b) shall not apply to any contribution for medical benefits after separation from service (within the meaning of Code §§ 401(h) or 419A(f)(2)) which is otherwise treated as an Annual Addition.

If a short Limitation Year is created because of an amendment changing the Limitation Year to a different 12-consecutive month period, the Maximum Permissible Amount will not exceed the Defined Contribution Dollar Limitation multiplied by the following fraction:

$$\frac{\text{Number of months in the short Limitation Year}}{12}$$

Appendix 7.1

Diversification Requirements of Code § 401(a)(35)

Effective for Plan Years beginning after December 31, 2007.

Diversification Requirements for Pre-Tax Contributions, After-Tax Contributions, Catch-Up Contributions, Roth Contributions and Rollover Contributions Invested in Employer Securities.

Section 1. The provisions of this Appendix apply only if the Plan holds any publicly traded employer security, except as described in Section 1.1. For purposes of this Appendix a publicly traded security is a security which is traded on a national securities exchange that is registered under section 6 of the Securities Exchange Act of 1935 or which is traded on a foreign national securities exchange that is officially recognized, sanctioned, or supervised by a governmental authority and the security is deemed by the Securities and Exchange Commission as having a “ready market” under SEC Rule 15c3-1 (17 CFR 240.15c3).

Section 1.1. If the Employer, or any member of a controlled group of corporations which includes the Employer, has issued a class of stock which is a publicly traded employer security, and the Plan holds employer securities which are not publicly traded employer securities, then the Plan shall be treated as holding publicly traded employer securities.

Section 1.2. With respect to a Participant (including for purposes of this section an alternate payee who has an account or a deceased Participant’s Beneficiary), if any portion of the Participant’s account is invested in publicly traded employer securities, then the Participant must be offered the opportunity to elect to divest those employer securities and reinvest an equivalent amount in other investment options as described in Section 1.3.

Section 1.3. At least three investment options (other than employer securities) must be offered to Participants described in Section 1.2. Each investment option must be diversified and have materially different risk and return characteristics. Periodic reasonable divestment and reinvestment opportunities must be provided at least quarterly.

Except as provided in Code Section 401(a)(35)(D)(ii)(I), restrictions (either direct or indirect) or conditions will not be imposed on the investment of publicly traded employer securities if such restrictions or conditions are not imposed on the investment of other plan assets.

Effective for Plan Years beginning on or after January 1, 2011.

Diversification Requirements for Pre-Tax Contributions, After-Tax Contributions, Catch-Up Contributions, Roth Contributions and Rollover Contributions Invested in Employer Securities.

Section 2. The provisions of this Appendix apply only if the Plan holds any publicly traded employer security, except as described in Section 2.1. For purposes of this Appendix, a publicly traded security is a security which is traded on a national securities exchange that is registered under section 6 of the Securities Exchange Act of 1935 or which is traded on a foreign national securities exchange that is officially recognized, sanctioned, or supervised by a governmental authority and the security is deemed by the Securities and Exchange Commission as having a “ready market” under SEC Rule 15c3-1 (17 CFR 240.15c3).

Section 2.1. If the Employer, or any member of a controlled group of corporations (as described in Treasury Regulation § 1.401(a)(35)-1(f)(2)(iv)(A)) which includes the Employer,

has issued a class of stock which is a publicly traded employer security, and the Plan holds employer securities which are not publicly traded employer securities, then the Plan shall be treated as holding publicly traded employer securities.

Section 2.2. With respect to a Participant (including for purposes of this section an alternate payee who has an account or a deceased Participant's Beneficiary), if any portion of the Participant's account is invested in publicly traded employer securities, then the Participant must be offered the opportunity to elect to divest those employer securities and reinvest an equivalent amount in other investment options as described in Section 2.3.

Section 2.3. At least three investment options (other than employer securities) must be offered to Participants described in Section 2.2. Each investment option must be diversified and have materially different risk and return characteristics. Periodic reasonable divestment and reinvestment opportunities must be provided at least quarterly. Except as provided in Treasury Regulation sections 1.401(a)(35)-1(e)(2) and (3), restrictions (either direct or indirect) or conditions will not be imposed on the investment of publicly traded employer securities if such restrictions or conditions are not imposed on the investment of other plan assets.

APPENDIX 9.4
Minimum Distribution Requirements

Section 1. General Rules

- 1.1. Effective Date. The provisions of this Appendix 9.4 will apply for purposes of determining required minimum distributions for calendar years beginning with the 2003 calendar year.
- 1.2. Precedence. The requirements of this article will take precedence over any inconsistent provisions of the Plan. However, the only benefit payment options available from the Plan are contained in Section 9.5 of the Plan. This Appendix 9.4 does not provide any benefit payment option that is not provided in such Section.
- 1.3. Requirements of Treasury Regulations Incorporated. All distributions required under this Appendix 9.4 will be determined and made in accordance with the Code § 401(a)(9) Treasury Regulations.

Section 2. Time and Manner of Distribution.

- 2.1. Required Beginning Date. The Participant's entire interest will be distributed, or begin to be distributed, to the Participant no later than the Participant's required beginning date.
- 2.2. Death of Participant Before Distributions Begin. If the Participant dies before distributions begin, the Participant's entire interest will be distributed, or begin to be distributed, no later than as follows:
 - (a) If the Participant's surviving Spouse is the Participant's sole designated Beneficiary, then distributions to the surviving Spouse will begin by December 31 of the calendar year immediately following the calendar year in which the Participant died, or December 31 of the calendar year in which the Participant would have attained age 72 (age 70½, if the Participant was born before July 1, 1949), if later.
 - (b) If the Participant's surviving Spouse is not the Participant's sole designated Beneficiary, then distributions to the designated Beneficiary will be completed by December 31 of the calendar year containing the fifth anniversary of the Participant's death.
 - (c) If there is no designated Beneficiary as of September 30 of the year following the year of the Participant's death, the Participant's entire interest will be distributed by December 31 of the calendar year containing the fifth anniversary of the Participant's death.
 - (d) If the Participant's surviving Spouse is the Participant's sole designated Beneficiary and the surviving Spouse dies after the Participant but before distributions to the surviving Spouse begin, this section 2.2, other than section 2.2(a), will apply as if the surviving Spouse were the Participant.

For purposes of this section 2.2 and section 4, unless section 2.2(d) applies, distributions are considered to begin on the Participant's required beginning date. If section 2.2(d) applies, distributions are considered to begin on the date

distributions are required to begin to the surviving Spouse under section 2.2(a). If distributions under an annuity purchased from an insurance company irrevocably commence to the participant before the participant's required beginning date (or to the participant's surviving Spouse before the date distributions are required to begin to the surviving Spouse under section 2.2(a)), the date distributions are considered to begin is the date distributions actually commence.

2.3. Forms of Distribution. Unless the Participant's interest is distributed in the form of an annuity purchased from an insurance company or in a single sum on or before the required beginning date, as of the first distribution calendar year all benefit payments from the Plan will be made in accordance with sections 3 and 4 of this Appendix. If the Participant's interest is distributed in a benefit payment option other than a single sum, such payments will be made in accordance with the requirements of Code § 401(a)(9) and the Treasury Regulations thereunder.

Section 3. Required Minimum Distributions During Participant's Lifetime.

3.1. Amount of Required Minimum Distribution For Each Distribution Calendar Year. During the Participant's lifetime, the minimum amount that will be distributed for each distribution calendar year is the lesser of:

(a) the quotient obtained by dividing the Participant's Account balance by the distribution period in the Uniform Lifetime Table set forth in Treasury Regulation 1.401(a)(9)-9, using the Participant's age as of the Participant's birthday in the distribution calendar year; or

(b) if the Participant's sole designated Beneficiary for the distribution calendar year is the Participant's Spouse, the quotient obtained by dividing the Participant's Account balance by the number in the Joint and Last Survivor Table set forth in Treasury Regulation 1.401(a)(9)-9, using the Participant's and Spouse's attained ages as of the Participant's and Spouse's birthdays in the distribution calendar year.

3.2. Lifetime Required Minimum Distributions Continue Through Year of Participant's Death. Required minimum distributions will be determined under this Section 3 beginning with the first distribution calendar year and up to and including the distribution calendar year that includes the Participant's date of death.

Section 4. Required Minimum Distributions After Participant's Death.

4.1. Death On or After Date Distributions Begin.

(a) Participant Survived by Designated Beneficiary. If the Participant dies on or after the date distributions begin and there is a designated Beneficiary, the minimum amount that will be distributed for each distribution calendar year after the year of the Participant's death is the quotient obtained by dividing the Participant's Account balance by the longer of the remaining life expectancy of the Participant or the remaining life expectancy of the Participant's designated Beneficiary, determined as follows:

(1) The Participant's remaining life expectancy is calculated using the age of the Participant in the year of death, reduced by one for each subsequent year.

(2) If the Participant's surviving Spouse is the Participant's sole designated Beneficiary, the remaining life expectancy of the surviving Spouse is calculated for each distribution calendar year after the year of the Participant's death using the surviving Spouse's age as of the Spouse's birthday in that year. For distribution calendar years after the year of the surviving Spouse's death, the remaining life expectancy of the surviving Spouse is calculated using the age of the surviving Spouse as of the Spouse's birthday in the calendar year of the Spouse's death, reduced by one for each subsequent calendar year.

(3) If the Participant's surviving Spouse is not the Participant's sole designated Beneficiary, the designated Beneficiary's remaining life expectancy is calculated using the age of the designated Beneficiary in the year following the year of the Participant's death, reduced by one for each subsequent year.

(b) No Designated Beneficiary. If the Participant dies on or after the date distributions begin and there is no designated Beneficiary as of September 30 of the year after the year of the Participant's death, the minimum amount that will be distributed for each distribution calendar year after the year of the Participant's death is the quotient obtained by dividing the Participant's Account balance by the Participant's remaining life expectancy calculated using the age of the Participant in the year of death, reduced by one for each subsequent year.

4.2. Death Before Date Distributions Begin.

(a) Participant Survived by Designated Beneficiary. If the Participant dies before the date distributions begin and there is a designated Beneficiary, the minimum amount that will be distributed for each distribution calendar year after the year of the Participant's death is the quotient obtained by dividing the Participant's Account balance by the remaining life expectancy of the Participant's designated Beneficiary, determined as provided in section 4.1.

(b) No Designated Beneficiary. If the Participant dies before the date distributions begin and there is no designated Beneficiary as of September 30 of the year following the year of the Participant's death, distribution of the Participant's entire interest will be completed by December 31 of the calendar year containing the fifth anniversary of the Participant's death.

(c) Death of Surviving Spouse Before Distributions to Surviving Spouse Are Required to Begin. If the Participant dies before the date distributions begin, the Participant's surviving Spouse is the Participant's sole designated Beneficiary, and the surviving Spouse dies before distributions are required to begin to the surviving Spouse under section 2.2(a), this section 4.2 will apply as if the surviving Spouse were the Participant.

4.3 Eligible Designated Beneficiaries. Notwithstanding anything else in the Plan to the contrary, effective for Participants who die on or after January 1, 2020, all distributions shall be made in compliance with Code § 401(a)(9)(H) and any guidance issued thereunder. Consequently, the Plan, including Appendix 9.4 is amended to the extent required to comply with Code § 401(a)(9)(H). Unless a distribution is payable to an Eligible Designated Beneficiary, the entire interest of the Participant will be distributed within ten (10) years of the Participant's death, regardless of whether distributions had commenced by the time of the

Participant's death. Therefore, Sections 4.1(a), 4.1(b) and 4.2(a) are amended so that the entire interest will be distributed within ten (10) of the Participant's death, unless benefits are payable to an Eligible Designated Beneficiary. This Section 4.3 is intended to comply with Code § 401(a)(9)(H) and any guidance issued thereunder, and shall be so interpreted.

4.4 Waiver of Required Minimum Distributions for 2020. Notwithstanding the preceding, a Participant or Beneficiary who would have been required to receive required minimum distributions in 2020 (or paid in 2021 for the 2020 calendar year for a participant with a Required Beginning Date of April 1, 2021) but for the enactment of section 401(a)(9)(I) of the Code (the "2020 RMDs") and who would have satisfied that requirement by receiving distributions equal to the 2020 RMDs or periodic payments (that include the 2020 RMDs) will not be required receive the distribution, provided that the Participant or Beneficiary may elect to receive it following procedures set forth by the Committee. The Committee may allow any 2020 RMDs made from the Plan to be repaid to the Plan as Rollover Contributions, subject to the rules and procedures as it may establish.

The 5-year period described in Section 2.2.(c) of this Appendix 9.4 shall be determined without regard to calendar year 2020.

Section 5. **Definitions.** The following terms have the following meanings for purposes of this Appendix 9.4.

5.1. **Designated Beneficiary.** The individual who is designated as the Beneficiary under Section 9.6 of the Plan and is the designated Beneficiary under Code § 401(a)(9) and Treasury Regulation 1.401(a)(9)-4, Q&A-1.

5.2. **Distribution calendar year.** A calendar year for which a minimum distribution is required. For distributions beginning before the Participant's death, the first distribution calendar year is the calendar year immediately preceding the calendar year which contains the Participant's required beginning date. For distributions beginning after the Participant's death, the first distribution calendar year is the calendar year in which distributions are required to begin under section 2.2 of this Appendix. The required minimum distribution for the Participant's first distribution calendar year will be made on or before the Participant's required beginning date. The required minimum distribution for other distribution calendar years, including the required minimum distribution for the distribution calendar year in which the Participant's required beginning date occurs, will be made on or before December 31 of that distribution calendar year.

5.3. **Life expectancy.** Life expectancy as computed by use of the Single Life Table in Treasury Regulation 1.401(a)(9)-9.

5.4. **Participant's Account Balance.** The Account balance as of the last valuation date in the calendar year immediately preceding the distribution calendar year (valuation calendar year) increased by the amount of any contributions made and allocated or forfeitures allocated to the Account balance as of dates in the valuation calendar year after the valuation date and decreased by distributions made in the valuation calendar year after the valuation date. The Account balance for the valuation calendar year includes any amounts rolled over or transferred to the Plan either in the valuation calendar year or in the distribution calendar year if distributed or transferred in the valuation calendar year.

5.5 **Required beginning date.** The date specified in § 9.4 of the Plan

5.6 Coordination with Code § 401(k) and Code § 402(g). Any Pre-Tax Contributions refunded under this Section 5.2 will be disregarded for the purposes of Code § 402(g) limitations under Section 5.3 and the Code § 401(k) limitations under Section 5.4.

5.7 Eligible Designated Beneficiary. Any Designated Beneficiary who is:

- (a) the surviving Spouse of the Participant,
- (b) a child of the Participant who has not reached majority, provided that the entire interest is distributed within 10 years after the date as of which the child reaches majority,
- (c) disabled (within the meaning of Code § 72(m)(7)),
- (d) a chronically ill individual (within the meaning of Code § 401(a)(9)(E)(ii)(IV)), or
- (e) an individual not described above who is not more than 10 years younger than the Participant.

The determination of whether a Designated Beneficiary is an Eligible Designated Beneficiary shall be made as of the date of the death of the Participant. Any amount paid to a child shall be treated as paid to the surviving Spouse if such amount will be paid to the surviving Spouse upon the child reaching majority (or other designated event permitted by IRS guidance). If an Eligible Designated Beneficiary dies before receiving his or her entire portion of the Participant's interest, the remainder of such portion shall be distributed within 10 years of the death of the Eligible Designated Beneficiary.

Appendix 14.3
Special Provisions Relating to Mergers, Acquisitions and Other Transfers

Section 14.3.1 General. This Section describes special rules applicable to individuals who were employed by an employer acquired by an Employer Company or who otherwise became Employees of an Employer Company as a result of a corporate transaction, or who participated in a qualified plan that was merged into the Plan or the assets of which were transferred to this Plan pursuant to Section 14.3.

Any assets transferred to this Plan shall be invested as directed by the Committee pending completion of any allocations or other steps necessary or advisable to properly transfer investment authority of Merged Plan assets to the Participants in accordance with Article 7 of the Plan. Any loans outstanding under a Merged Plan will become loans under this Plan and, if the Participant is an Employee, will be repaid by payroll deduction following the merger or transfer. For clarification, a loan under a Merged Plan that become a loan under this Plan will continue to be administered in accordance with the terms of the loan (including without limitation the repayment period, the interest rate, etc.), even if such terms are different than would apply to Participants under Article X. Notwithstanding the foregoing, if a Participant had more than two loans under a Merged Plan such Participant may not apply for or take a new loan under Section 10.1(a) until he or she has repaid in full all but one loan, and after such repayment such Participant shall be subject to the limitation set forth in Section 10.1(a).

Section 14.3.2 UPS Global Forwarding Services, Inc.

(a) GFS Plan. For purposes of this Section 14.3.2, GFS Plan means the UPS Global Forwarding Services Company, Inc. Retirement/ Savings Plan, as in effect on June 30, 2001.

(b) Merger. The assets and liabilities of the GFS Plan as of the close of business on June 30, 2001 will be merged into this Plan and will be assets and liabilities of this Plan as of July 1, 2001.

(c) Accounts. An Account will be established under this Plan to reflect the interest of each former participant in the GFS Plan to the extent he or she does not already have an Account under this Plan. The portion of a Participant's account under the GFS Plan attributable to his or her "after-tax contributions", if any, will become a part of his or her After-Tax Contribution Account; the portion attributable to his or her "pre-tax contributions", if any, will become part of his or her Pre-Tax Contribution Account under this Plan; the portion attributable to his or her "rollover contributions", if any, will become part of his or her Rollover Contribution Account under this Plan; and the remaining portion of a Participant's account under the GFS Plan will become a part of his or her Merged Account.

Section 14.3.3 UPS Logistics Group.

(b) LG Plan. For purposes of this Section 14.3.3, LG Plan means the UPS Logistics Group Retirement Savings Plan, as in effect on June 30, 2001.

(d) Merger. The assets and liabilities of the LG Plan as of the close of business on June 30, 2001 will be merged into this Plan and will be assets and liabilities of this Plan as of July 1, 2001.

(e) Accounts. An Account will be established under this Plan to reflect the interest of each former participant in the LG Plan to the extent he or she does not already

have an Account under this Plan. The portion of a Participant's account under the LG Plan attributable to his or her "after-tax contributions", if any, will become a part of his or her After-Tax Contribution Account; the portion attributable to his or her "pre-tax contributions", if any, will become part of his or her Pre-Tax Contribution Account under this Plan; the portion attributable to his or her "rollover contributions", if any, will become part of his or her Rollover Contribution Account under this Plan; and the remaining portion of a Participant's account under the LG Plan will become a part of his or her Merged Account.

Section 14.3.4 Sonic Air, Inc.

(a) SA Plan. For purposes of this Section 14.3.4, SA Plan means the Sonic Air, Inc. 401(k) Plan, as in effect on June 30, 2001.

(b) Merger. The assets and liabilities of the SA Plan as of the close of business on June 30, 2001 will be merged into this Plan and will be the assets and liabilities of this Plan as of July 1, 2001.

(c) Accounts. An Account will be established under this Plan to reflect the interest of each former participant in the SA Plan to the extent he or she does not already have an Account under this Plan. The portion of a Participant's Merged Account attributable to his or her "after-tax contributions", if any, will become a part of his or her After-Tax Contribution Account; the portion attributable to his or her "pre-tax contributions", if any, will become part of his or her Pre-Tax Contribution Account under this Plan; and the portion attributable to his or her "rollover contributions", if any, will become part of his or her Rollover Contribution Account under this Plan; and the remaining portion of a Participant's account, if any, under the SA Plan will become part of his or her Merged Account.

Section 14.3.5 Trans-Border Customs Services, Inc.

(a) TBCS. For purposes of this Section 14.3.5, TBCS Plan means the Trans-Border Customs Services Profit Sharing Plan, as in effect on June 30, 2001

(b) Merger. The assets and liabilities of the TCBS Plan as of the close of business on June 30, 2001 will be merged into this Plan and will be assets and liabilities of this Plan as of July 1, 2001.

(c) Accounts. An Account will be established under this Plan to reflect the interest of each former participant in the TCBS Plan to the extent he or she does not already have an Account under this Plan. The portion of a Participant's Merged Account attributable to his or her "after-tax contributions", if any, will become a part of his or her After-Tax Contribution Account; the portion attributable to his or her "pre-tax contributions", if any, will become part of his or her Pre-Tax Contribution Account under this Plan; and the portion attributable to his or her "rollover contributions", if any, will become part of his or her Rollover Contribution Account under this Plan; and the remaining portion of a Participant's account, if any, under the TCBS Plan will become a part of his or her Merger Account.

Section 14.3.6 Overnite Corporation and Overnite Transportation Company

(a) Overnite Plan. For purposes of this Section 14.3.7, Overnite Plan means the Overnite Transportation Company Tax Reduction Investment Plan, as in effect

immediately prior to the transfer of its assets and liabilities into this Plan effective on or about February 28, 2006.

(b) Merger. The assets and liabilities of the Overnite Plan will be merged with and into this Plan on or about February 28, 2006.

(c) Accounts. An Account will be established under this Plan to reflect the interest of each former participant in the Overnite Plan to the extent he or she does not already have an Account under this Plan. The portion of a Participant's account under the Overnite Plan attributable to his or her "salary deferrals" and "catch-up contributions", if any, will become part of his or her Pre-Tax Contribution Account under this Plan; the portion attributable to his or her "rollover contributions", if any, will become part of his or her Rollover Contribution Account under this Plan; and the remaining portion of a Participant's account under the Overnite Plan will become a part of his or her Merged Account under this Plan.

(d) In-Service Distribution. A Participant who has a Merged Account attributable to assets transferred from the Overnite Plan to this Plan on or about February 28, 2006 may withdraw all or any portion of this or her entire Account balance pursuant to Section 9.8(b) of the Plan (59 ½ Withdrawal).

(e) 2006 Plan Year Non-Discrimination Testing. Effective January 1, 2006, Article V, Limitations of Contributions and Allocations, of this Plan shall apply to any elective contributions a Participant made to the Overnite Plan during the 2006 Plan Year.

Section 14.3.7 Motor Cargo

(a) Motor Cargo Plan. For purposes of this Section 14.3.7, Motor Cargo Plan means the Motor Cargo Profit Sharing Plan, as in effect immediately prior to the transfer of its assets and liabilities into this Plan effective on or about February 28, 2006.

(b) Merger. The assets and liabilities of the Motor Cargo Profit Sharing Plan attributable to (i) participants who are employees as of December 31, 2005 and whose terms and conditions of employment are not governed by a collective bargaining agreement and (ii) terminated vested participants whose terms and conditions of employment as of their most recent termination date were not governed by a collective bargaining agreement, will be merged with and into this Plan effective on or about February 28, 2006.

(c) Accounts. An Account will be established under this Plan to reflect the interest of each former participant who had an account balance transferred from the Motor Cargo Plan to the extent he or she does not already have an Account under this Plan. The portion of a Participant's account under the Motor Cargo Plan attributable to his or her "deferral contributions" and "catch-up contributions", if any, will become part of his or her Pre-Tax Contribution Account under this Plan; the portion attributable to his or her "rollover contributions", if any, will become part of his or her Rollover Contribution Account under this Plan; and the remaining portion of a Participant's account under the Motor Cargo Plan will become a part of his or her Merged Account.

(d) In-Service Distribution Amounts. A Participant who has a Merged Account attributable to assets transferred from the Motor Cargo Plan to this Plan on or about February 28, 2006 may withdraw all or any portion of that Merged Account balance pursuant to Section 9.8(b) of the Plan (59 ½ Withdrawal). Additionally, a Participant who receives an in-service hardship distribution from the Motor Cargo Plan and who

would be prevented from making contributions to the Motor Cargo Plan after December 31, 2005 as a result of such withdrawal, will to be subject to such contribution suspension under this Plan as if it were the Motor Cargo Plan.

(e) 2006 Plan Year Non-Discrimination Testing. Effective January 1, 2006, Article V, Limitations of Contributions and Allocations, of this Plan shall apply to any elective contributions a Participant made to the Motor Cargo Plan during the 2006 Plan Year.

Section 14.3.8 Coyote Logistics, LLC

(a) Coyote Participants. For purposes of this Section 14.3.8, “Coyote Plan” means the Coyote 401(k) Savings Plan, as in effect prior to July 1, 2016. A “Coyote Transferring Participant” means any Participant who was a participant in the Coyote Plan as of June 30, 2016 as long as that Participant remains an employee of Coyote Logistics LLC on and after July 1, 2016. Coyote Transferring Participants shall become eligible to participate in the Plan effective July 1, 2016 and may enroll in the Plan in accordance with Article 2. Coyote Transferring Participants and Participants who become employees of Coyote Logistics, LLC on or after July 1, 2016 (but who have not previously participated in the Plan) are referred to in this section as “Coyote Participants.”

(b) Eligible Compensation. Notwithstanding anything in the Plan to the contrary (including specifically but without limitation Section 1.21 of the Plan), the following shall be Eligible Compensation if paid to a Coyote Participant:

(i) The following bonuses:

- (1) quarterly, annual, and bi-annual bonus
- (2) intercompany bonus,
- (3) pod leader bonus,
- (4) referral bonus
- (5) relocation bonus
- (6) retention bonus
- (7) sales/incentive bonus
- (8) sign-on bonus
- (9) spot bonus
- (10) other bonuses, as designated by the Committee.

(ii) Amounts specifically treated on the payroll of Coyote Logistics, LLC as payment for a period of paid time off or discretionary days where such Coyote Participant’s normal wages and compensation are offset by such amounts.

(c) Pre-Tax Contribution Elections and Beneficiary Designations.

(1) The contribution elections of Coyote Transferring Participants under the Coyote Plan shall not be transferred or preserved in this Plan.

(2) Notwithstanding anything to the contrary in the Plan, the automatic enrollment and automatic increase provisions of Section 3.1 of the Plan shall not apply to a Coyote Participant. However, a Participant who was previously employed by another Employer Company who is transferred to Coyote Logistics, LLC shall retain any deemed contribution election that applied to such Participant immediately prior to that Participant’s transfer to Coyote Logistics LLC, but the

automatic increase provisions shall no longer apply to such Participant. A Coyote Participant who transfers employment to another Employer Company shall, upon transfer to the other Employer Company, be deemed to have made an Affirmative Election to contribute to the Plan in the amount and on the basis the Coyote Participant was contributing immediately prior to such transfer.

(3) The beneficiary designations of Coyote Transferring Participants under the Coyote Plan shall not be carried over into this Plan, and each Coyote Transferring Participant must make a new beneficiary designation following the procedures set forth in Section 9.6(c) or as may be otherwise specified by the Committee.

(d) Special Rule for SavingsPLUS Contributions to Coyote Participants. For the period beginning on July 1, 2016 and ending on December 31, 2016 (the "2016 Coyote Plan Year"), the following shall apply to SavingsPLUS Contributions for Coyote Participants instead of the rules of Section 4.1 of the Plan.

(1) SavingsPLUS Contributions for the Short 2016 Plan Year shall be calculated based on such Coyote Participant's Pre-Tax Contributions and Compensation earned during the 2016 Coyote Plan Year.

(2) Instead of being credited to the Coyote Participant's SavingsPLUS Account each Accounting Period, SavingsPLUS Contributions for Coyote Participants during the 2016 Coyote Plan Year shall be credited to the Coyote Participant's SavingsPLUS Account as soon as practicable after December 31, 2016, but in no event later than the latest date permitted under applicable law.

(3) No interest or earnings attributable to uncredited SavingsPLUS Contributions for the 2016 Coyote Plan Year shall accrue or be paid with regard to any period between July 1, 2016 and the date on which such contributions are credited to the Coyote Participant's SavingsPLUS Account.

(4) Beginning on January 1, 2017, SavingsPLUS Contributions for Coyote Participants will be calculated and allocated each Accounting Period, as described in Sections 4.1 and 4.5 of the Plan.

**Appendix 15.9
Merged Plans**

NAME OF MERGED PLAN	EFFECTIVE DATE OF MERGER
UPS Logistics Group Retirement Savings Plan	July 1, 2001
SonicAir, Inc. 401(k) Plan	July 1, 2001
Trans-Border Customs Services, Inc. 401(k) and Profit Sharing Plan	July 1, 2001
UPS Global Forwarding Services, Inc. Retirement/Savings Plan	July 1, 2001
Overnite Transportation Company Tax Reduction Investment Plan	February 28, 2006
Motor Cargo Profit Sharing Plan	February 28, 2006
Zone Solutions, LLC 401(k) Retirement Plan	December 24, 2018

Appendix A
Puerto Rico Qualification

Solely for purposes of administering and securing its tax qualifications in Puerto Rico, the Plan shall be subject to the following terms and conditions:

Definitions:

1. The definition of “Affiliate” in Article I, Section 1.7, of the Plan is amended to add the following second paragraph:

“For purposes of tax qualification in Puerto Rico, “Affiliate” shall mean any corporation, trade or business other than the Employer which joins the Employer as a member of a controlled group of corporations, an affiliated services group or is under common control, as defined by Section 1081.01(a)(14) of the Puerto Rico Internal Revenue Code of 2011, as amended”.

2. The definition of “Employer” in Article I, Section 1.22, of the Plan is amended to read as follows:

“‘Employer’ means United Parcel Service of America, Inc. and each Affiliate (or a division or unit of an Affiliate) which is designated as a participating employer in the Plan by the Employer and which adopts the Plan, or that is deemed an Employer under Section 1081.01(a)(14) of the Puerto Rico Internal Revenue Code of 2011, as amended.”

3. The definition of “Highly Compensated Employee” in Article I, Section 1.31, of the Plan is amended to add an additional paragraph at the end of Subsection (b)(2), which shall read as follows:

“Solely for purposes of qualifying the Plan in Puerto Rico, the term “highly compensated employee” shall mean an employee who is:

- (i) an officer of the Employer;
- (ii) a shareholder that own more than five percent (5%) of the voting stock or the total value of all classes of stock of the Employer;
- (iii) that for the preceding year earned a compensation in excess of any dollar amount limitation imposed by Section 414(q)(1)(B) of the U.S. Internal Revenue Code of 1986, as amended, for the applicable Plan Year; or
- (iv) the Spouse or dependent (within the meaning of Section 1033.18(c)(1) of the Puerto Rico Internal Revenue Code of 2011) of one of the individuals listed in items (i) through (iii) of this paragraph.”

Effective on and after February 8, 2017, for purposes of this Appendix A and Section 1.33(b)(2) of the Plan, and the non-discrimination tests of Section 1081.01(a) and (d) of the PR Code, the term “Highly Compensated Employee” means any Employee who:

- (i) owns more than five percent (5%) of the voting stock of the Employer or the total value of all classes of stock of the Employer, or owns more than five percent (5%) of the capital or interest in the profits of the Employer, if such Employer is not a corporation, as defined in the PR Code and its regulations;

(ii) that for the preceding taxable year earned a compensation in excess of \$150,000 or such other amount in effect under PR Code Section 1081.01(d)(3)(E)(iii); or

(iii) as otherwise such term is defined in Section 1081.01(d)(3)(E)(iii) of the PR Code, or the regulations or administrative determinations issued thereunder by the PR Treasury, or as it may be modified or amended in the future.

4. Puerto Rico Eligible Compensation - means for each Participant, his or her Eligible Compensation excluding the Participant's half month bonus and discretionary days pay off.

(a) Puerto Rico. Subject to the rules and limitations in this Section 3.1(d) and in Article 5, except as otherwise provided, each Participant who is an Eligible Employee and who is treated by an Employer as a Puerto Rico tax resident ("Puerto Rico Employee") may make the following contributions:

(1) Pre-Tax Contributions through authorizing the pre-tax payroll deduction of:

(i) from 1% to 35% (in 1% increments) of his or her Puerto Rico Eligible Compensation for each pay period;

(ii) 1% to 100%, in 1% increments, of his or her half month bonus;

(iii) 1% to 100%, in 1% increments, of his or her discretionary days pay off.

Notwithstanding the forgoing, a Puerto Rico Participant may not contribute Pre-Tax Contributions under this Section 3.1(d)(1) in excess of the following (as adjusted by Puerto Rico law):

<u>Plan Year</u>	<u>Contribution Limit</u>
2008	\$8,000
2009 and 2010	\$9,000
2011 and 2012	\$10,000
2013 and beyond	\$12,000

(2) Each Puerto Rico Participant who will attain age 50 or older before the close of the Plan Year shall be eligible to make Catch-Up Contributions in 1% increments from 1% to 35% of his or her Puerto Rico Eligible Compensation in accordance with, and subject to the limitations of Puerto Rico law. Catch-Up Contributions shall be treated as Pre-Tax Contributions for purposes of Sections 3.5, 3.6, 3.7, 6.2 and Article VII. Catch-Up Contributions shall be credited to a Puerto Rico Participant's Pre-Tax Contribution Account unless the Committee determines that such contributions (and investment gains or losses on such contributions) should be credited to a separate subaccount.

(3) Each Puerto Rico Employee who has an Employment Commencement Date, Reemployment Commencement Date, or otherwise becomes eligible to participate or resumes eligibility to participate on or after January 1, 2008 shall be

treated as a Targeted Participant and shall be subject to the deemed Pre-Tax Contribution election provisions of Section 3.1(b), Deemed Enrollment and Automatic Annual Increases, based on his or her Puerto Rico Eligible Compensation.

(4) All contributions made to the Plan pursuant to this Section 3.1(d) shall comply with the requirements of Appendix A, Puerto Rico Qualification.

An election under this Section 3.1 must be made via VRU or in accordance with such other procedures prescribed by the Committee. A Participant may make an election to begin making Pre-Tax Contributions on any business day that coincides with or follows the date he or she becomes a Participant. A Participant's initial payroll deduction contribution election will be effective for the first pay period beginning after his or her election is processed and will continue while the Participant is an Eligible Employee until the Participant changes his or her election in accordance with Section 3.4 or suspends his or her contributions in accordance with Section 3.5.

The Committee has the right at any time unilaterally to reduce prospectively the amount or percentage of Pre-Tax Contributions elected by any Participant who is a Highly Compensated Employee or by all Highly Compensated Employees as a group if it determines that reduction is appropriate in light of the limitations under Section 5.4.

5. Article III, Section 3.1(d)(1), of the Plan is amended to add the following paragraph at the end of the Section:

“The maximum Pre-Tax Contribution for a Participant for any taxable year, shall not exceed ten percent (10%) of the annual Compensation of the employee up to a maximum of eight thousand dollars (\$8,000) annually, or such other amount as may be determined by the Puerto Rico Secretary of Treasury under Section 1033.09 and 1081.01(d) of the Puerto Rico Internal Revenue Code of 2011, as amended. If the employee participates in two (2) or more plans, such plans shall be treated as if they were one for the purposes of determining the amount of the limitation. For taxable years commencing on or after January 1, 2013, shall be \$15,000, regardless of the employee’s annual compensation.”

6. Article III, Section 3.1(d)(2), of the Plan is amended to add the following paragraph at the end of the Section:

“Participant who attain age fifty (50) by the end of a Plan Year will be eligible to make additional Pre-Tax Contributions for such Plan Year under this Subsection to the extent such Pre-Tax Contributions constitute Catch-up Contributions in accordance with, and subject to the maximum limits allowed, under Section 1081.01(d)(7)(C) of the Puerto Rico Internal Revenue Code of 2011, as amended. The maximum annual limit for Catch-Up Contributions shall be \$1,500 per year. Such Catch-Up Contributions shall be credited to the Participant’s Pre-Tax Contribution Account of each Participant who has made such Catch-Up Contribution. Any such Catch-Up Contribution shall be paid to the Trust within the time period required under ERISA and the regulations thereunder. Any Catch-Up Contribution under this Subsection, and any deferral election relating to such contribution, shall be made in accordance with the rules and procedures adopted by the Committee.”

7. Article V of the Plan is amended to add a new section 5.7, which shall read as follows:

“5.7 Puerto Rico Limitation on Contributions. As required by Section 1081.01(a)(11)(B) of the Puerto Rico Internal Revenue Code of 2011, as amended, the total amount of employer contributions (including the employer matching contributions and the profit sharing

contributions) and the employees contributions (excluding the Rollover Contributions but including the employees' salary deferral contributions and the after-tax contributions) that may be credited to the Participants account during any Plan Year shall not exceed any dollar amount imposed as limitation by Section 415(c) of the U.S. Internal Revenue Code of 1986, as amended, for the applicable Plan Year, or 100% of the employees Compensation (including the employees contributions hereunder) for the Plan Year or whatever other dollar limitation may be imposed by the Puerto Rico Internal Revenue Code of 2011, as amended, or the Puerto Rico Treasury Department by way of regulation or administrative determination."

8. Article IX, Section 9.13, of the Plan is amended to add to it a new paragraph (c), which shall read as follows:

- (c) (1) Notwithstanding any provision of the Plan to the contrary that would otherwise limit a Distributee's election under this Section 9.13, a Distributee, that due to his or her termination of employment or the termination of the Plan, is entitled to receive an Eligible Rollover Distribution, may elect, at the time and in the manner prescribed by the Committee, to have all or part of such distribution rolled over into an Eligible Retirement Plan, specified by the Distributee.
- (2) Direct rollovers under this Section 9.13 shall be made in accordance with rules and procedures established by the Committee.
- (3) For purposes of this Section 9.13, a "Distributee," may include (1) a Participant, and to the extent permitted by the PR Code or by the Puerto Rico Treasury Department, (2) a Participant's Spouse or a non-Spouse Beneficiary, or (3) an alternate payee under a qualified domestic relations order who is the Spouse, former Spouse or a non-Spouse Beneficiary of a Participant.
- (4) Solely for purposes of administering and qualifying the Plan in Puerto Rico, the terms 'Eligible Rollover Distribution' and 'Eligible Retirement Plan' shall mean:
 - (i) Eligible Retirement Plan: means an individual retirement account or annuity described in Section 1081.02 of the PR Code, a non-deductible individual retirement account described in Section 1081.03 of the PR Code, or a qualified plan and trust described in Section 1081.01 of the PR Code, which accepts the Distributee's Eligible Rollover Distribution. Provided however that in the case of a rollover to a non-deductible individual retirement account, the Eligible Rollover Distribution shall consist of the total distribution amount reduced by the applicable withholding taxes imposed by the PR Code upon such distribution.

(ii) Eligible Rollover Distribution: means any distribution of all or part of the entire benefit to the credit of the Distributee within a single taxable year of the Distributee, as a result of his or her termination of employment or the termination of the Plan, and that otherwise meets the requirements of Section 1081.01(b)(2)(A) of the PR Code.

9. Article IX is amended to add a new Section 9.21, which shall read as follows:

- 9.21 Puerto Rico Taxation of Distributions - Effective on and after January 1, 2018, under Section 1081.01(b) of the PR Code, the distribution of all or part of the entire interest of a Participant in the Plan (in excess of his or her After-Tax Contributions, if any), within the same taxable year, and as a result of his or her separation from employment or the termination of the Plan, shall be treated as ordinary income subject to a special tax rate of 20% but to an income tax

withholding of 10%, or as otherwise provided under Section 1081.01(b) of the PR Code as it may be amended or modified in the future. However, if the Plan: (1) uses a trust organized in Puerto Rico or a Puerto Rico co-trustee which will act as paying agent, and (2) invest no less than 10% of its assets (determined on an average basis) in the Plan Year of the distribution and the two preceding Plan Years, in certain assets treated as located in Puerto Rico (as defined in the PR Code, and the regulations issued thereunder), the gain arising from the distribution will be treated as ordinary income subject instead at a special tax rate of 10% or as otherwise provided under Section 1081.01(b) of the PR Code.

Hurricane Maria Lump-Sum Distribution Relief: Notwithstanding anything in the Plan to the contrary, a terminated Participant who has been affected by Hurricane Maria (in connection with the damages, losses and expenses suffered or incurred as a result of the passage of Hurricane Maria through Puerto Rico) and who is entitled under the terms of the Plan to receive his entire benefit in a lump-sum distribution may apply, in the manner specified by the Committee, for relief on the lump sum distribution of such benefit, pursuant to and subject to compliance with all the conditions and requirements established in AD 17-29, as amended by AD 18-02 and AD 18-13. Subject to any prior deadline established by the Committee, these lump sum distributions shall be made between September 20, 2017 and November 30, 2018. Subject to the limitations and requirements imposed by AD 17-29, as amended by AD 18-02 and AD 18-13, these distributions up to the maximum permitted amount shall be treated as “Eligible Distributions,” as such term is defined in AD 17-29, and shall be taxed as provided in such administrative determinations.

10. Article X, Section 10.1(c), of the Plan is amended to add to it a new paragraph (10), which shall read as follows:

“(10) Any loan to a Participant that fails to meet these requirements shall be treated as a taxable distribution to the Participant and shall be subject to the withholding requirements of Section 1081.01(b)(3) of the Puerto Rico Internal Revenue Code of 2011, as amended.”

11. Article XIV, Section 14.3, of the Plan is amended to add a new paragraph at the end of it, which shall read as follows:

“In the event of any of the above transactions, the Plan shall be subject to the tax qualification requirements of Section 1081.01(a)(3)(D) of the Puerto Rico Internal Revenue Code of 2011, as amended.”

12. The definition of “Compensation” in Appendix 1.17 of the Plan is amended to add the following fourth paragraph:

“The maximum amount of compensation that shall be taken into account for purposes of computing contributions under the Plan, as well as discrimination testing and the limitations to benefits and contributions under Section 1081.01(a) and (d) of the Puerto Rico Internal Revenue Code of 2011, as amended, shall not exceed any amount established under Section 401(a)(17) of the U.S. Internal Revenue Code of 1986, as amended, or any other amount established by the Puerto Rico Treasury Department through regulations or administrative determinations.”

13. These amendments will govern the administration of the Plan, including its tax qualification in Puerto Rico, and shall apply solely with respect to: (i) the Employer and each Affiliate that adopts the Plan and is designated as a participation employer hereunder, or that is deemed as an employer under Section 1081.01(a)(14) of the PR Code, and that is engaged in business in the Commonwealth of Puerto Rico; and (ii) the participating employees who are bona fide residents of the Commonwealth of Puerto Rico or rendering their services primarily in the

Commonwealth of Puerto Rico and whose compensation is subject to Puerto Rico income taxes (the "Puerto Rico Participants"). To the extent the Plan covers any Puerto Rico Participant, it will be administered pursuant to, and in compliance with, the requirements of Sections 1033.09 and 1081.01 of the PR Code.

14. Puerto Rico

Effective January 1, 2008, a Puerto Rico Participant may not contribute Pre-Tax Contributions in excess of the following (as adjusted by Puerto Rico law):

<u>Plan Year</u>	<u>Contribution Limit</u>
2008	\$8,000
2009 and 2010	\$9,000
2011 and 2012	\$10,000
2013 and beyond	\$12,000

Effective August 22, 2007, each Puerto Rico Participant who will attain age 50 or older before the close of the Plan Year shall be eligible to make Catch-Up Contributions in 1% increments from 1% to 35% of his or her Puerto Rico Eligible Compensation in accordance with, and subject to the limitations of Puerto Rico law; provided that the maximum percentage from August 22, 2007 to December 31, 2012 was 10%. Catch-Up Contributions shall be treated as Pre-Tax Contributions for purposes of Sections 3.5, 3.6, 3.7, 6.2 and Article VII. Catch-Up Contributions shall be credited to a Puerto Rico Participant's Pre-Tax Contribution Account unless the Committee determines that such contributions (and investment gains or losses on such contributions) should be credited to a separate subaccount.

Each Puerto Rico Employee who has an Employment Commencement Date, Reemployment Commencement Date, or otherwise becomes eligible to participate or resumes eligibility to participate on or after January 1, 2008 and, effective January 1, 2011, each Puerto Rico Employee who satisfies the requirements described in Section 3.1(b)(4)(iv) shall be treated as a Targeted Participant and shall be subject to the deemed Pre-Tax Contribution election provisions of Section 3.1(b), Deemed Enrollment and Automatic Annual Increases, based on his or her Puerto Rico Eligible Compensation.

UPS RESTORATION SAVINGS PLAN

(Effective January 1, 2023)



INTRODUCTION

Effective January 1, 2017, United Parcel Service of America, Inc. (the “Company”) established the UPS Restoration Savings Plan (the “Plan”) as a non-qualified deferred compensation plan established and maintained solely for the purpose of providing a select group of highly-compensated and management employees with company contribution credits that they are precluded from receiving under the UPS 401(k) Savings Plan as a result of limitations imposed under Internal Revenue Code Section 401(a)(17). The Company hereby amends and restates the Plan effective January 1, 2023.

The Company’s Board of Directors has determined that the benefits to be paid under this Plan constitute reasonable compensation for the services rendered and to be rendered by eligible employees.

The Plan shall be unfunded for tax purposes and for purposes of Title I of ERISA. The Plan is intended to comply with the requirements of Section 409A of the Internal Revenue Code of 1986, as amended (the “Code”). The Plan is intended to be a “top-hat” plan within the meaning of ERISA Sections 201(2), 301(a)(3) and 401(a)(1) and shall be administered and interpreted to the extent possible in a manner consistent with that intent.

SECTION I

DEFINITIONS

Whenever used in the Plan, the following terms shall have the meanings set forth below unless otherwise expressly provided. Wherever used, the masculine pronoun shall be deemed to refer either to a male or female, and the singular shall be deemed to refer to the singular or plural, as appropriate by context.

1.1 Account. The bookkeeping account maintained under the Plan for each Participant by the Company to record his Company Contribution Credits plus earnings and losses thereon. A Participant’s Account may be further subdivided into a SavingsPLUS Restoration Credit Account, a UPS Retirement Contribution Restoration Credit Account, a UPS Transition Contribution Restoration Credit Account and any other sub-accounts as the Committee may determine.

1.2 Beneficiary. The person(s) or entity designated by the Participant to receive his benefits under the Plan in the event of his death in accordance with Section 6.1.

1.3 Board. The Board of Directors of the Company.

1.4 Code. Internal Revenue Code of 1986, as amended. A reference to a particular Code Section shall include a reference to any regulation issued under that Section.

1.5 Committee. The committee appointed by the Board to be responsible for the Plan and its administration.

1.6 Company. United Parcel Service of America, Inc.

1.7 Company Contribution Credits. Contribution amounts credited to a Participant's Account pursuant to Section 3.1 through 3.3 of the Plan. Company Contribution Credits may include SavingsPLUS Restoration Credits, UPS Retirement Contribution Restoration Credits, UPS Transition Contribution Restoration Credits, and/or UPS Transition Contribution Credits.

1.8 Compensation. Except as otherwise set forth in this Section 1.8, "Eligible Compensation," as defined in the Qualified Plan that is paid to an Eligible Employee by the Company or an Employer Company during the Plan Year, but only to the extent such Eligible Compensation exceeds the Code Section 401(a)(17) limits. For purposes of the UPS Transition Contribution Restoration Credit, Compensation means "UPS Transition Contribution Eligible Compensation," as defined in the Qualified Plan that is paid to an Eligible Employee by the Company or an Employer Company during the Plan Year, but only to the extent such UPS Transition Eligible Compensation exceeds the Code Section 401(a)(17) limits. Notwithstanding the foregoing and as described in Appendix 3.2 and 3.3, for purposes of a Participant's UPS Retirement Contribution Restoration Credit or UPS Transition Contribution Restoration Credit, only Compensation earned or attributable to a period during which the Participant was employed by an Employer Company that participates in UPS Retirement Contribution Restoration Credits or UPS Transition Contribution Restoration Credits (as applicable) shall be taken into account.

1.9 Disability or Disabled. A medically determinable physical or mental impairment that can be expected to result in death or to last for a period of not less than 12 months as a result of which the Participant is receiving income replacement benefits under a long term disability plan to which an Employer Company contributes for the Participant. Notwithstanding the foregoing, in no event shall a Participant be determined to have a Disability unless such condition would qualify as a "disability" under Section 409A of the Code.

1.10 Employee. A person who is classified as an employee on the payroll of an Employer Company and who actually receives (or is deemed to receive on account of eligible leave of absence) United States compensation from employment by an Employer Company as an employee of that Employer Company.

1.11 Employer Company. The Company, each corporation or entity listed in Appendix A, and any of the following corporations or entities that adopt the Plan with the approval of the Board:

- (a) any domestic corporation or entity at least 90% of whose voting stock or voting interests are owned (directly or indirectly) by the Company; and
- (b) any domestic corporation or entity at least 90% of whose voting stock or voting interests are owned by any corporation or entity described in (a) above.

1.12 ERISA. The Employee Retirement Income Security Act of 1974, as amended. A reference to a particular Section of ERISA shall include a reference to any regulation issued under that Section.

1.13 Executive Employee. A member of a select group of highly-compensated and management employees designated as such by the Board or Committee.

1.14 Investment Request. A Participant's instructions, in accordance with procedures established by the Committee, as to how the Participant's Account should be deemed to be invested, subject to approval by the Committee.

1.15 Participant. Any person with an account balance under the Plan shall be a Participant. Any Executive Employee may become a Participant upon satisfying the requirements of Section 2.1.

1.16 Plan. The UPS Restoration Savings Plan.

1.17 Plan Year. The calendar year.

1.18 Qualified Plan. The UPS 401(k) Savings Plan, as amended from time to time.

1.19 SavingsPLUS Restoration Credit. The credit described in Section 3.1.

1.20 SavingsPLUS Restoration Credit Account. The portion of the Participant's Account containing SavingsPLUS Restoration Credits and any credits for earnings thereon.

1.21 Separation from Service. A termination of the Participant's employment with the Company and each Employer Company that would also constitute a "separation from service" within the meaning of Code Section 409A(a)(2)(A)(i) and any regulations or other guidance issued thereunder.

1.22 UPS Retirement Contribution Restoration Credit. The credit described in Section 3.2.

1.23 UPS Retirement Contribution Restoration Credit Account. The portion of the Participant's Account containing UPS Retirement Contribution Restoration Credits and any credits

1.24 UPS Retirement Contribution Restoration Credit Service. The measure of service used for calculating a Participant's UPS Retirement Contribution Restoration Credit level under Appendix 3.2. UPS Retirement Contribution Restoration Credit Service is determined as of the last day of the Plan Year. A Participant shall generally be credited with one year of UPS Retirement Contribution Restoration Credit Service for each year of employment as an Employee with an Employer Company starting as of such Participant's most recent date of hire or rehire with an Employer Company. Any periods of service prior to the Participant's most recent hire or rehire shall be disregarded in determining the Participant's years of UPS Retirement Contribution Restoration Credit Service.

The Committee may grant additional periods of UPS Retirement Contribution Restoration Credit Service for service with the Company or with another employer through Committee resolutions.

1.25 UPS Transition Contribution Restoration Credit. The credit described in Section 3.3.

1.25A UPS Transition Contribution Credit. The credit described in Section 3.3A.

1.26 UPS Transition Contribution Restoration Credit Account. The portion of the Participant's Account containing UPS Transition Contribution Restoration Credits and any credits for earnings thereon.

1.26A UPS Transition Contribution Credit Account. The portion of the Participant's Account containing UPS Transition Contribution Credits and any credits for earnings thereon.

1.27 UPS Transition Contribution Restoration Participant. A Participant who, on December 31, 2022, (A) was a Participant in the UPS Retirement Plan, (B) was actively accruing a benefit under a Final Average Compensation Formula (as defined in the UPS Retirement Plan), (C) was not accruing a Portable Account Benefit (as defined in the UPS Retirement Plan), (D) was not accruing a benefit under the RPA-5 non-grandfathered formula (under the UPS Retirement Plan), and (E) had his or her Final Average Compensation Formula accruals frozen under the UPS Retirement Plan. A Participant described in the preceding sentence who, after December 31, 2022, experiences a Separation from Service and is subsequently rehired shall no longer be a UPS Transition Contribution Restoration Participant for any period after such Participant's rehire date.

1.27A UPS Transition Contribution Participant. A Participant who, on December 31, 2022, (A) was a Participant in the UPS Retirement Plan, (B) was actively accruing a benefit under a Final Average Compensation Formula (as defined in the UPS Retirement Plan), (C) was not accruing a Portable Account Benefit (as defined in the UPS Retirement Plan), (D) was not employed by an RPA-5 Employer Company as identified on appendices F-3, F-4, and F-5 in the UPS Retirement Plan (and not a Grandfathered Participant as defined in the UPS Retirement Plan), and (E) had his or her Final Average Compensation Formula accruals frozen under the UPS Retirement Plan. Additionally, such a Participant shall have "Eligible Compensation" as defined in the Qualified Plan as of the last day of the prior Plan Year of \$240,000 or more. Such a Participant who, after December 31, 2022, experiences a Separation from Service and is subsequently rehired shall no longer be a UPS Transition Contribution Participant for any period after such Participant's rehire date. A Participant described in this Section 1.27A shall remain a UPS Transition Contribution Participant even if he fails to exceed the Eligible Compensation requirement of \$240,000 or more in a subsequent Plan Year.

1.28 Vesting Service. Vesting Service means the number of years of service determined as of the last day of the Plan Year A Participant shall generally be credited with a year of Vesting Service for each year of employment as an Employee with an with the Company or an Employer Company, calculated from the Participant's original date of hire.

The Committee may grant additional periods of Vesting Service for service with the Company or with another employer through Committee resolutions.

SECTION II

ELIGIBILITY/PARTICIPATION

2.1 In General. To be eligible to become a Participant in the Plan, an Employee must have been hired, rehired, or promoted to Executive Employee status on or after July 1, 2016, provided however that, for Plan Years beginning on or after January 1, 2023, an Executive Employee may become a Participant for purposes of receiving UPS Retirement Contribution Restoration Credits and/or UPS Transition Contribution Restoration Credits even if such Employee was hired, rehired or promoted to Executive Employee status prior to July 1, 2016. An Executive Employee meeting the requirements of the previous sentence shall become a Participant in the Plan as of March 1 of the year following the last day of the first year in which such Executive Employee's Compensation exceeds the dollar limit specified under Code Section 401(a)(17), as adjusted, provided such Executive Employee's participation in the Plan is approved by the Committee. The Committee shall have sole discretion in determining an Employee's status as an Executive Employee, as well as the eligibility of any Employee to participate in this Plan. Notwithstanding the foregoing, on or after January 1, 2023, an Employee who satisfies the eligibility requirements in Plan Section 1.27A (UPS Transition Contribution Participant) shall be eligible to become a Participant in the Plan as soon as administratively practicable following the end of a Plan Year in which the requirements are satisfied.

2.2 Subsequent Years. After an Executive Employee satisfies the requirements of Section 2.1, such Executive Employee shall remain a Participant in the Plan as long as such Executive Employee remains an Employee, even if the Executive Employee's Compensation falls below the dollar limit specified under Code Section 401(a)(17). A Participant who has separated from service shall remain a Participant for purposes of his rights to his vested account balance until all of his Plan benefits have been paid, but shall not be eligible to earn any additional benefits under the Plan following his Separation from Service or other termination of employment.

2.3 Change in Status. If a Participant ceases to be an Executive Employee but continues to be employed by the Company, then Company Contribution Credits on his behalf under this Plan shall be suspended, but such Participant shall continue to earn years of Vesting Service and shall remain a Participant under the Plan for purposes of his rights to his vested account balance.

2.4 Impact of return to Executive Employee status. Notwithstanding any other provisions of this Plan to the contrary, any Employee who previously had participated in the Plan as a Participant will again become eligible to earn benefits under the Plan upon re-promotion or other return to Executive Employee status and shall be eligible for the Company Contribution Credits described in Sections 3.1 through 3.3, as appropriate.

SECTION III

RESTORATION BENEFITS

3.1 SavingsPLUS Restoration Credits.

(a) Each active Participant shall be credited for each Plan Year with a SavingsPLUS Restoration Credit. Participants who became eligible for the Plan on or after January 1, 2023, but who were hired, rehired or promoted to Executive Employee status prior to July 1, 2016 shall not receive SavingsPlus Restoration Credits. The amount of the SavingsPLUS Restoration Credit shall equal a percentage of the Participant's Compensation for the Plan Year based on the Employer Company that employs the Participant during each Accounting Period, as set forth in Appendix 3.1.

(b) SavingsPLUS Restoration Credits shall be allocated to the Participant's SavingsPLUS Restoration Credit Account as of the last day of each Accounting Period (as defined under the Qualified Plan), based on the Participant's Compensation and Employer Company as of the last day of such Accounting Period. In the event that a Participant transfers employment to a different Employer Company prior to the end of the Accounting Period, the Participant's SavingsPLUS Restoration Credit account shall be credited or debited as necessary to reflect the SavingsPLUS Restoration Credit rate to which such Participant was entitled based on the Participant's Employer Company on the last day of the applicable Accounting Period. An adjustment under this paragraph shall include a corresponding adjustment for earnings.

(c) A Participant shall be entitled to SavingsPLUS Restoration Credits as described above regardless of the level of contributions (if any) that the Participant makes to the Qualified Plan during the Plan Year.

(d) Vesting. SavingsPLUS Restoration Credits shall be immediately 100% vested.

3.2 UPS Retirement Contribution Restoration Credits.

(a) Active Participants who qualify for UPS Restoration Contribution Restoration Credits shall receive a Company Contribution Credit allocated to an such Participant's UPS Retirement Contribution Restoration Credit Account as soon as practicable following the last day of the Plan Year (or at such other time as the Company may determine), as described in this Section 3.2 and Appendix 3.2.

(b) Eligibility for UPS Retirement Contribution Restoration Credits. To be eligible for a UPS Retirement Contribution Restoration Credit, the Participant must be actively employed by an Employer Company that participates in UPS Retirement Contribution Restoration Credits (as specified in Appendix 3.2) during the Plan Year. In the event that, during a Plan Year (but prior to the last day of a Plan Year), a Participant has a Separation from Service or is transferred to an Employer Company that does not participate in UPS Retirement Contribution Restoration Credits, such Participant shall remain eligible for the UPS Retirement Contribution Restoration Credit for that Plan Year, but only for such

portion of the Plan Year that the Participant was employed by an Employer Company that participates in UPS Retirement Contribution Restoration Credits.

(c) The amount of the UPS Retirement Contribution Restoration Credit shall be a percentage of the Participant's Compensation for the Plan Year and shall vary based on factors set forth in Appendix 3.2.

(d) Vesting. UPS Retirement Contribution Restoration Credits shall vest after the Participant has earned three years of Vesting Service. Upon termination of employment, a Participant shall forfeit any right to any non-vested portion of his Account. Notwithstanding the foregoing, the Committee may determine to accelerate the vesting of any Participant's Account, subject to such conditions and limitations as the Committee may see fit to impose.

3.3 UPS Transition Contribution Restoration Credits.

(a) Active Participants who meet the requirements of 3.3(b) below shall receive a Company Contribution Credit allocated to an such Participant's UPS Transition Contribution Restoration Credit Account as soon as practicable following the last day of the Plan Year (or at such other time as the Company may determine), as described in this Section 3.3 and Appendix 3.3.

(b) To be eligible for a UPS Transition Contribution Restoration Credit, the Participant must be a UPS Transition Contribution Restoration Participant and must be employed during the Plan Year by an Employer Company that participates in UPS Transition Contribution Restoration Credits. In the event that, during a Plan Year (but prior to the last day of the Plan Year), a Participant has a Separation from Service or transfers to an Employer Company that does not participate in UPS Transition Contribution Restoration Credits only for such portion of the Plan Year that the Participant was employed by an Employer Company that participates in UPS Transition Contribution Restoration Credits.

(c) The amount of the UPS Transition Contribution Restoration Credit shall be 5% of the Participant's Compensation for each Plan Year starting on or after January 1, 2023 and prior to January 1, 2028, and 7% of the Participant's Compensation for each Plan Year starting on or after January 1, 2028. No UPS Transition Contribution Restoration Credit shall be made for any Plan Year starting before January 1, 2023.

(d) Vesting. UPS Transition Contribution Restoration Credits shall be immediately 100% vested.

3.3A UPS Transition Contribution Credits.

(a) Active Participants who meet the requirements of 3.3A(b) below shall receive a Company Contribution Credit allocated to an such Participant's UPS Transition Contribution Credit Account as soon as practicable following the last day of the Plan Year (or at such other time as the Company may determine), as described in this Section 3.3A and Appendix 3.3A.

- (b) To be eligible for a UPS Transition Contribution Credit, the Participant must be a UPS Transition Contribution Participant and must be employed during the Plan Year by an Employer Company that participates in UPS Transition Contribution Credits. In the event that, during a Plan Year (but prior to the last day of the Plan Year), a Participant has a Separation from Service or transfers to an Employer Company that does not participate in UPS Transition Contribution Credits only for such portion of the Plan Year that the Participant was employed by an Employer Company that participates in UPS Transition Contribution Credits.
- (c) Compensation. For purposes of the UPS Transition Contribution Credit, Compensation means “UPS Transition Contribution Eligible Compensation,” as defined in the Qualified Plan that is paid to an Eligible Employee by the Company or an Employer Company during the Plan Year, but only to the extent such UPS Transition Eligible Compensation does not exceed the Code Section 401(a)(17) limits. Notwithstanding the foregoing and as described in Appendix 3.3A, for purposes of a Participant’s UPS Transition Contribution Credit, only Compensation earned or attributable to a period during which the Participant was employed by an Employer Company that participates in UPS Transition Contribution Credits shall be taken into account.
- (d) The amount of the UPS Transition Contribution shall be 5% of the Participant’s Compensation for each Plan Year starting on or after January 1, 2023 and prior to January 1, 2028, and 7% of the Participant’s Compensation for each Plan Year starting on or after January 1, 2028. No UPS Transition Contribution Credit shall be made for any Plan Year starting before January 1, 2023.

3.4 Participant Contributions. A Participant is not required or permitted to make contributions to the Plan.

3.5 Earnings on Accounts.

- (a) The Account of each Participant shall be credited with its allocable share of deemed investment gains and losses.

(b) The Committee shall retain final authority as to how a Participant’s Account is to be deemed invested. The SavingsPLUS Restoration Credits made prior to January 1, 2023 shall be deemed invested in shares of UPS Stock (as such term is defined under the Qualified Plan) unless otherwise directed by the Committee or by a Participant pursuant to an Investment Request. For all the Participant’s Accounts, including the SavingsPLUS Restoration Credit Account, the UPS Retirement Contribution Restoration Credit Account, the UPS Transition Contribution Account, and the UPS Transition Contribution Restoration Credit Account, a Participant may advise the Committee as to the Participant’s preferred investment allocation by submitting an Investment Request to the Committee. An Investment Request may direct the Committee to deem the Participant’s Account to be invested in and among such deemed investment vehicles as are made available by the

Committee from time to time, which may mirror one or more of the investment options available to participants in the Qualified Plan. Notwithstanding the foregoing, in no event shall any portion of a Participant's Account be deemed invested in a self-directed brokerage account or similar feature.

(c) Investment Requests must follow such procedures as may be set forth by the Committee. In the event that a Participant has not submitted an Investment Request, the Participant's Account shall be deemed to be invested in a fund selected by the Committee. In no event shall a Participant's investment instructions under the Qualified Plan affect or be affected by the deemed investment of the Participant's Account under this Plan.

3.6 Benefits to Minors and Incompetents.

(a) If any person entitled to receive payment under the Plan is a minor, the Company shall pay the amount directly to the minor, to a guardian of the minor, or to a custodian selected by the Company.

(b) If a person who is entitled to receive payment under the Plan is physically or mentally incapable of personally receiving and giving a valid receipt for any payment due (unless a previous claim has been made by a duly qualified committee or other legal representative), the payment will be made as determined by the Committee, in its sole discretion.

SECTION IV

PARTICIPANT ACCOUNTS

4.1 Participant Accounts. The Company shall maintain, or cause to be maintained, records for each Participant showing the amounts credited and debited from time to time to his Account.

SECTION V

PAYMENT OF BENEFITS

5.1 Commencement of Benefits. A Participant's Account shall become payable on the date which is the six-month anniversary of the Participant's Separation from Service, or if earlier, six months following the date on which the Participant dies or becomes Disabled.

5.2 Method of Payment.

(a) Prior to the time a Participant commences participation in the Plan pursuant to Section 2.1 of the Plan, the Participant may submit an election to receive a distribution of his Account in the form of cash in one of the following payment options:

- (i) a single lump sum payment; or
- (ii) annual installments over a period of exactly 3, 5, 7, or 10 years (as elected by the Participant). The amount of each installment shall be to equal the balance of the Participant's Account immediately prior to the installment divided by the number of installments remaining to be paid.

If a Participant does not elect a form of payment or submits an incomplete election, that Participant's benefits shall be paid in the form of a lump sum.

(b) If a Participant who has commenced receiving installment payments under Section 5.2(a) dies, the installment payments shall continue to be made to the Participant's Beneficiary as though the Participant had not died. However, if a Participant dies or becomes Disabled prior to the commencement of benefit payments, the Participant's Account shall be paid in a single lump sum within six months following the earliest to occur of the Participant death or Disability, with payments being made to the Participant's Beneficiary if the Participant has died.

(c) In the event the Participant elects an installment form of payment, the Participant's Account balance will remain subject to market risk associated with the mirrored investment options as described in Section 3.5 during the installment payment period, and earnings (or losses) shall continue to accrue on any remaining balance in the Participant's Account for each year or part thereof during the installment payment period in the manner provided for in Section 3.5.

5.3 Change in Form of Payment.

(a) A Participant may change the form of payment of his Account at most one time, as described in this Section 5.3. After a Participant has made an election to change the form of payment under this 5.3, that Participant shall thereafter be ineligible to change the form of payment of his or her Account.

(b) A Participant's election to change the form of payment of his Account must satisfy each of the following, or else such election shall be null and void:

- (i) the election to change the form of payment must be made on a form acceptable to the Committee;
- (ii) the election must be submitted to the Committee not later than the twelve months prior to the date distribution of the Account would otherwise have commenced; and

- (iii) the election shall delay the commencement of any payments under the Plan for a period of no fewer than five years from the date such payment would have otherwise commenced.

(c) An election to change the form of payment of a Participant's Account under this Section 5.3 shall become effective no earlier than twelve months after the date on which it is received by the Committee. In the event a Participant experiences a Separation from Service during such 12 month period, the election shall be null and void and the Participant's Account shall be paid as though no such election had been made.

SECTION VI

BENEFICIARY

6.1 Designation of Beneficiary. A Participant may, in the manner determined by the Committee, designate a Beneficiary and one or more contingent Beneficiaries to receive any benefits which may be payable under the Plan upon his death. If a Participant fails to designate a Beneficiary, the Participant's estate shall automatically be treated as his or her Beneficiary under this Plan.

6.2 Change to Beneficiary. A Participant may change his Beneficiary at any time by following procedures set forth by the Committee.

SECTION VII

TAXES

7.1 Withholding Taxes. Benefits paid under the Plan may be subject to federal, state and local income and payroll taxes. The Participant shall arrange for all such taxes to be paid in the manner required by law. Where possible, the Committee may deduct taxes owed from payments from the Plan or from the Participant's regular wages. Alternatively, the Participant agrees to remit to the Company payments to cover taxes upon the Committee's request. The Committee reserves the right to offset all unpaid taxes against the interest of a Participant under the Plan.

7.2 Section 409A Compliance.

(a) This Plan is intended to comply with the provisions of Section 409A of the Code and any regulations issued thereunder. To the extent feasible, all definitions, terms, conditions, and rights under this Plan shall be interpreted or construed in a manner that is consistent with that intent. In addition, any provision, including, without limitation, any definition, in this Plan document that is determined to violate the requirements of Section 409A of the Code shall be void and without effect and any provision, including, without limitation, any definition, that is required to appear in this Plan document under Section 409A of the Code that is not expressly set forth shall be deemed to be set forth herein, and

the Plan shall be administered in all respects as if such provisions were expressly set forth. In addition, the timing of certain payments of benefits provided for under this Plan shall be revised as necessary for compliance with Section 409A of the Code.

(b) Notwithstanding the foregoing, the tax treatment of any payment provided under this Plan is not warranted or guaranteed. Neither the Company, nor the Committee, nor any Employer Company shall be liable for any taxes, interest, penalties, or other monetary amounts owed by the Participant or any other taxpayer as a result of the Plan or the payment or non-payment of any amount thereunder. By participating in the Plan, the Participant agrees to be solely and exclusively liable for any tax consequences (including without limitation any additional tax based on noncompliance with Section 409A) associated with any benefit under the Plan. Additionally, nothing in this Plan shall be interpreted as creating in the Company, the Committee, or any Employer Company a duty to optimize any tax treatment.

SECTION VIII

ADMINISTRATION

8.1 Administration. This Plan shall be administered by the Committee, which shall have complete authority in its sole discretion to make, amend, interpret and enforce rules and regulations for the administration of this Plan and decide or resolve in its sole discretion any and all questions which may arise in connection with this Plan. The Committee may delegate certain of its duties to one or more employees or to a separate committee appointed by the Committee.

8.2 Employment of Agents. In the administration of this Plan, the Committee may, from time to time, employ agents and delegate to them such administrative duties as it sees fit and may, from time to time, consult with counsel, including counsel to the Company.

8.3 Decisions. The decision or action of the Committee in respect of any question arising out of or in connection with the administration, interpretation and application of this Plan and the rules and regulations hereunder shall be final and conclusive and binding upon all persons having any interest in this Plan.

8.4 Claims Procedure. Any claim for a benefit under this Plan shall be filed and resolved in accordance with the claims procedure provided under the UPS 401(k) Savings Plan, which procedure hereby is incorporated in this Plan by reference, except that (a) the Committee of this Plan shall be the entity with whom a claim for review should be filed under this Plan and (b) the Committee has absolute discretion to resolve any claims under this Plan.

SECTION IX

AMENDMENT AND TERMINATION

9.1 Amendment or Termination. The Committee reserves the right, by written resolution, to amend, modify or terminate, either retroactively or prospectively, any or all of the provisions of this Plan,; provided, however, that no such action on its part shall adversely affect the rights of a Participant, or beneficiaries without the consent of such Participant (or beneficiaries, if the Participant is deceased) with respect to any benefits accrued under this Plan prior to the date of such amendment, modification or termination of the Plan if the Participant has at that time a non-forfeitable right to benefits under of this Plan.

SECTION X

GENERAL CONDITIONS

10.1 Funding. The benefits payable under this Plan shall be paid by the Company out of its general assets and shall not be funded. The obligations that the Company incurs under this Plan shall be subject to the claims of the Company's other creditors having priority as to the Company's assets.

The Company may (but is not required to) establish one or more trusts to which the Company may transfer such assets as the Company determines in its sole discretion to assist in meeting its obligations under the Plan. If a trust is established under the Plan, it is intended that the transfer of assets into the trust will not generate taxable income (for federal income tax purposes) to the Participants until such assets are actually distributed or otherwise made available to the Participants. The provisions of the Plan shall govern the rights of a Participant to receive distributions pursuant to the Plan, and the provisions of any trust shall govern the rights of the Company, Participants and the creditors of the Company to the assets transferred to such trust. The Company's obligations under the Plan may be satisfied with trust assets distributed pursuant to the terms of the trust, and any such distribution shall reduce the Company's obligations under the Plan.

10.2 Assignment. Except as to withholding of any tax under the laws of the United States or any state or locality, no benefit payable at any time hereunder shall be subject in any manner to alienation, sale, transfer, assignment, pledge, attachment or other legal process, or encumbrance of any kind. Any attempt to alienate, sell, transfer, assign, pledge or otherwise encumber any such benefit, whether currently or thereafter payable hereunder, shall be void. For clarification and without limitation, this section 10.2 specifically forbids and makes void any purported assignment of benefits to an alternate payee through a domestic relations order, regardless of whether such domestic relations order would be a qualified domestic relations order under Section 414(p) of the Code or Section 206 of ERISA.

10.3 No Contract of Employment. No employee and no other person shall have any legal or equitable rights or interest in this Plan that are not expressly granted in this Plan. Participation in this Plan does not give any person any right to be retained in the employment of the Company. The right and power of the Company to dismiss or discharge any employee is expressly reserved.

10.4 Terms. All terms used in this Plan which are defined in the Qualified Plan shall have the same meaning herein as therein, unless otherwise expressly provided in this Plan.

10.5 Plan Provisions Govern. The rights under this Plan of a Participant who leaves the employment of the Company at any time and the rights of anyone entitled to receive any payments under this Plan by reason of the death of such Participant, shall be governed by the provisions of this Plan in effect on the date such Participant leaves the employment of the Company, except as otherwise specifically provided in this Plan.

10.6 Governing Law. The law of the State of Georgia shall govern the construction and administration of this Plan, to the extent not pre-empted by federal law.

As evidence of its adoption of the UPS Restoration Savings Plan, the Committee, as authorized by the Board, has caused this document to be executed by a duly authorized officer.

UNITED PARCEL SERVICE OF AMERICA, INC.

By: /s/ NORMAN M. BROTHERS, JR.
Norman M. Brothers, Jr.
Director

Date: December 19, 2022

By: /s/ BRIAN NEWMAN
Brian Newman
Director

Date: December 20, 2022

APPENDIX A

List of Employer Companies

BT Realty Holdings II, Inc.	UPS Capital Corporation, Inc.	UPS Mail Innovations, Inc. (Formerly UPS Messaging Inc.)
iShip, Inc.	UPS Capital Insurance Agency, Inc. (Formerly Glenlake Insurance Agency, Inc.)	UPS Procurement Services Corporation
United Parcel Service Co.	UPS Customhouse Brokerage, Inc.	UPS Supply Chain Solutions, Inc. (includes Diversified Trimodal, Inc. d/b/a Martrac, UPS Supply Chain Management Nevada, Inc., UPS Supply Chain Management Tristate, Inc., UPS Logistics Group Americas, Inc. which were all merged through a series of mergers 12/31/02)
United Parcel Service of America, Inc.	UPS General Services Co.	UPS Telecommunications, Inc. (UPS Teleservices)
United Parcel Service, Inc. (Ohio)	UPS Ground Freight d/b/a UPS Freight (Formerly Overnite Transportation Company)	UPS Worldwide Forwarding, Inc.
UPS Capital Business Credit (Formerly First International Bank)	UPS International General Services Co.	Worldwide Dedicated Services, Inc.
UPS Capital Business Credit of New Jersey, Inc. (Formerly First International Capital Corporation of New Jersey)	UPS Latin America, Inc.	

APPENDIX 3.1 SavingsPLUS Restoration Credit

Effective as of January 1, 2017

SavingsPLUS Restoration Credit Calculation.

For purposes of this Appendix 3.1, the term “Employer Company Group” shall mean the group of Employer Companies applicable to the Participant as of the last day of the Accounting Period (as such term is defined under the Qualified Plan) as set forth below (the “Employer Company Group”). If a Participant has a Separation from Service or transfers to an Employer Company that does not participate in UPS Retirement Contribution Restoration Credits, such Participant’s “Employer Company Group” for that Accounting Period shall be determined by reference to the participating Employer Company that last employed such Participant during that Accounting Period. Although SavingsPLUS Restoration Credits are calculated each Accounting Period, the Company may allocate them to the accounts of eligible Participants more frequently or less frequently, in the Company’s sole discretion.

Prior to January 1, 2023. The SavingsPLUS Restoration Credit for a Participant shall be determined based on the Employer Company Group, and the Participant’s Compensation, as determined by the tables below:

Employer Company Group	Amount of SavingsPLUS Restoration Credit
A	3% SavingsPLUS Restoration Contribution of Compensation
B	1% SavingsPLUS Restoration Contribution of Compensation

Employer Company Group A: The following Employer Companies are considered part of Employer Company Group A for purposes of determining the SavingsPLUS Restoration Credit noted above:

Employer
BT Realty Holdings II, Inc.
Connectship, Inc
i-Parcel LLC
iShip, Inc.
Parcel Pro, Inc. (CA, FL, NY)
The UPS Store, Inc
United Parcel Service Co.
United Parcel Service of America, Inc.
United Parcel Service, Inc. (Ohio)
UPS Capital Business Credit (Formerly First International Bank)
UPS Capital Corporation, Inc.
UPS Capital Insurance Agency, Inc. (Formerly Glenlake Insurance Agency, Inc.)
UPS Cartage Services, Inc.
UPS Customhouse Brokerage, Inc.
UPS Expedited Mail Services, Inc.
UPS General Services Co.
UPS Global Innovations, Inc.
UPS International General Services Co.
UPS Latin America, Inc.
UPS Market Driver, Inc.
UPS Mail Innovations, Inc. (Formerly UPS Messaging Inc.)
UPS Procurement Services Corporation
UPS Supply Chain Solutions General Services, Inc.
UPS Supply Chain Solutions, Inc. (includes Diversified Trimodal, Inc. d/b/a Martrac, UPS Supply Chain Management Nevada, Inc., UPS Supply Chain Management Tristate, Inc., UPS Logistics Group Americas, Inc. which were all merged through a series of mergers 12/31/02)
UPS Telecommunications, Inc. (UPS Teleservices)
UPS Trade Management Services, Inc.
UPS Worldwide Forwarding, Inc.

Employer Company Group B: The following Employer Companies are considered part of Employer Company Group B for purposes of determining the SavingsPLUS Restoration Credit noted above:

Employer
UPS Ground Freight

On and after January 1, 2023. Unless otherwise specified below, the SavingsPLUS Restoration Credit for a Participant shall be the amount set forth in the table below:

Amount of SavingsPLUS Restoration Credit
3% SavingsPLUS Restoration Contribution of Compensation

Notwithstanding the foregoing, the Participants employed by the following Employer Companies on the last day of an Accounting Period shall receive the SavingsPLUS Restoration Credit levels set forth below for such Accounting Period:

Marken Ltd.

Amount of SavingsPLUS Restoration Credit
NONE

APPENDIX 3.2 UPS Retirement Contribution Restoration Credits

Effective as of January 1, 2017

For purposes of this Appendix 3.2, the term “Employer Company Group” shall mean the group of Employer Companies applicable to the Participant as of the last day of the Plan Year as set forth below (the “Employer Company Group”). For Plan Years beginning on or after January 1, 2018, if a Participant has a Separation from Service or transfers to an Employer Company that does not participate in UPS Retirement Contribution Restoration Credits, such Participant’s “Employer Company Group” shall be determined by reference to the participating Employer Company that last employed such Participant during the Plan Year.

The UPS Retirement Contribution Restoration Credit is determined by the Employer Company Group for which the Participant is employed on the last day of the Plan Year (or otherwise as described in the previous paragraph) and the Participant’s number of years of UPS Retirement Contribution Restoration Credit Service, subject to the eligibility requirements of Section 3.2 of the Plan.

UPS Retirement Contribution Restoration Credits prior to January 1, 2023

Employer Company Group	0-4 Years of UPS Retirement Contribution Restoration Credit Service	5-9 Years of UPS Retirement Contribution Restoration Credit Service	10-14 Years of UPS Retirement Contribution Restoration Credit Service	15 + Years of UPS Retirement Contribution Restoration Credit Service
A	5% of Compensation	6% of Compensation	7% of Compensation	8% of Compensation
B	3% of Compensation	3.5% of Compensation	4% of Compensation	4.5% of Compensation

Compensation shall only include amounts earned or attributable to periods during which the Participant was employed by an Employer Company that participates in UPS Retirement Contribution Restoration Credits.

Employer Company Group A: The following Employer Companies are considered part of Employer Company Group A for purposes of determining the UPS Retirement Contribution Restoration Credits noted above:

Employer
BT Realty Holdings II, Inc.
United Parcel Service Co.
United Parcel Service of America, Inc.
United Parcel Service, Inc. (Ohio)
UPS Capital Business Credit (Formerly First International Bank)
UPS Capital Corporation, Inc.
UPS Capital Insurance Agency, Inc. (Formerly Glenlake Insurance Agency, Inc.)
UPS General Services Co.
UPS Global Innovations, Inc
UPS Ground Freight
UPS International General Services Co.
UPS Latin America, Inc.
UPS Market Drivers
UPS Procurement Services Corporation
UPS Worldwide Forwarding, Inc.

Employer Company Group B: The following Employer Companies are considered part of Employer Company Group B for purposes of determining the UPS Retirement Contribution Restoration Credits noted above:

Employer
ConnectShip, Inc.
iParcel LLC
iShip, Inc.
Parcel Pro, Inc. (CA, FL, NY)
The UPS Stores, Inc.
UPS Cartage Services, Inc
UPS Customhouse Brokerage, Inc.
UPS Expedited Mail Services, Inc
UPS Mail Innovations, Inc. (Formerly UPS Messaging, Inc.)
UPS Supply Chain Solutions General Services, Inc
UPS Supply Chain Solutions, Inc. (Includes Diversified Trimodal, Inc. d/b/a/ Martrac, UPS Supply Chain Management Nevada, Inc., UPS Supply Chain Management Tristate, Inc., UPS Logistics Group Americas, Inc. which were all merged through a series of mergers 12/31/02)
UPS Telecommunications, Inc. (UPS Teleservices)
UPS Trade Management Services
Worldwide Dedicated Services, Inc.

UPS Retirement Contribution Restoration Credits on and after January 1, 2023

For Plan Years beginning on or after January 1, 2023, the amount of the UPS Retirement Contribution Restoration Credit shall be as specified below:

0-4 Years of UPS Retirement Contribution Restoration Credit Service	5-9 Years of UPS Retirement Contribution Restoration Credit Service	10-14 Years of UPS Retirement Contribution Restoration Credit Service	15 + Years of UPS Retirement Contribution Restoration Credit Service
5% of Compensation	6% of Compensation	7% of Compensation	8% of Compensation

Compensation shall only include amounts earned or attributable to periods during which the Participant was employed by an Employer Company that participates in UPS Retirement Contribution Restoration Credits.

For Plan Years beginning on and after January 1, 2023, all Employer Companies shall participate in the UPS Retirement Contribution Restoration Credits, with the exception of the following:

Coyote Logistics, LLC
Marken Ltd.

Additionally, any employees described in Section 4.2(c)(iii) of the Qualified Plan (i.e. Overnite's or UPS Freight's Special Services Division or OMC Logistics) shall not be eligible for UPS Retirement Contribution Restoration Credits.

APPENDIX 3.3 UPS Transition Contribution Restoration Credits
Effective as of January 1, 2023

All Employer Companies participate in the UPS Transition Contribution Restoration Credits, with the exception of the following:
Coyote Logistics, LLC
Marken Ltd.

Additionally, any employees described in Section 4.2(c)(iii) of the Qualified Plan (i.e. Overnite's or UPS Freight's Special Services Division or OMC Logistics) shall not be eligible for UPS Transition Contribution Restoration Credits.

Compensation shall only include amounts earned or attributable to periods during which the Participant was employed by an Employer Company that participates in UPS Transition Contribution Restoration Credits.

APPENDIX 3.3A UPS Transition Contribution Credits
Effective as of January 1, 2023

All Employer Companies participate in the UPS Transition Contribution Credits, with the exception of the following:
Coyote Logistics, LLC
Marken Ltd.

Compensation shall only include amounts earned or attributable to periods during which the Participant was employed by an Employer Company that participates in UPS Transition Contribution Credits.

May 23, 2022

Bala Subramanian

Dear Bala,

Since the earliest days of UPS, 114 years ago, we've regarded our management team as partners. Our company's founder, Jim Casey, established a culture where we share ownership in the company, a responsibility to help one another and our communities, and a commitment to integrity and the values of UPS.

We are proud to offer you the opportunity to join our partnership. On behalf of UPS, I am pleased to formally extend to you the offer of the position of **Chief Digital and Technology Officer**. Your talents and experience should enable you to make a valuable contribution to our team and I am confident that you will find the opportunity rewarding and challenging.

This Offer Letter confirms the key terms of our offer of employment and is subject to approval by the UPS Compensation and Human Capital Committee of the Board of Directors.

Compensation

- Your initial base salary will be **\$725,000** annually (**\$60,416.67** monthly). Merit increases will follow UPS' annual merit guidance and take effect with April payroll. Your start date will be **July 15, 2022**, and you will be eligible for your first merit increase in 2023. Your principal place of employment with UPS will be at the company's corporate headquarters in Atlanta, Georgia, subject to reasonable travel requirements. As the **Chief Digital and Technology Officer**, you will report only to the Chief Executive Officer of UPS (the "CEO"),
 - You will be eligible to participate each year of your employment in the UPS Management Incentive Program (MIP) in accordance with the terms of the MIP as in effect from time to time. The target value of your annual MIP Performance Incentive award will be **130%** of your annualized base salary. The actual award will be determined by multiplying your target award value by a factor that is determined based upon company performance against annually defined measures as well as by an individual performance factor that is determined by the CEO.
 - Currently, any earned MIP Performance Incentive award is paid one-third in electable cash and two-thirds in restricted performance units ("RPUs") granted pursuant to the applicable UPS incentive compensation plan. MIP RPUs vest after one year and are paid in unrestricted (for purposes of this offer letter, "unrestricted" means freely transferrable with no holding period or other restrictions on you, subject to UPS's Insider Trading Compliance Program Guidelines), fully vested UPS Class A stock (net of applicable tax withholdings). However, your initial MIP award for 2022, delivered in March 2023, will be prorated based on your hire date and paid entirely in UPS Class A stock.
 - As a UPS MIP participant, you will be eligible to receive annually a UPS MIP Ownership Incentive award. Under current program terms, your UPS MIP Ownership Incentive award is **1.50%** of the value of your eligible UPS holdings (including outstanding and unvested MIP
-

- RPUs) up to a maximum of one month's base salary and is delivered in conjunction with MIP Performance Incentive awards in March of each year. Like the MIP Performance Incentive award, the UPS Ownership Incentive award is paid one-third in electable cash and two-thirds in RPUs. However, the UPS Ownership Incentive award for 2022, delivered in March 2023, will be paid entirely in unrestricted, fully vested UPS Class A common stock.
- You will be eligible to participate in the UPS Long-Term Incentive Performance award program (LTIP) in accordance with the terms of the LTIP as in effect from time to time. The LTIP provides for equity grants to senior UPS leaders and is focused on delivering long-term shareholder value. LTIP awards currently are paid in Restricted Performance Units that vest and convert to UPS Class A common stock three years after grant. Your target LTIP award level will be **450%** of your annualized base salary. The actual award values will be determined by company performance measured against financial targets established for the three-year performance period. Current metrics, which are subject to change, are Adjusted Earnings per Share (EPS) Growth and Adjusted Free Cash Flow (FCF) metrics with a third element, Relative Total Shareholder Return (RTSR). You will receive a 2022 LTIP award, prorated based on your hire date.
 - You will be eligible to receive an annual non-qualified stock option grant pursuant to the applicable UPS incentive compensation plan. Your target stock option award value is **50%** of your annualized salary and is generally awarded in March of each year, and your first grant of stock options will occur in March 2023. Stock options vest pro-rata over five years, with a ten-year maximum term and are subject to the terms of the incentive compensation plan and an award agreement. The number of options will be determined by dividing the total grant value by the Black-Scholes valuation of the options determined as of the date of grant.
 - You will be eligible for participation in the UPS Deferred Compensation Plan. This plan allows deferral of up to **35%** of your salary as well as the electable cash portion UPS MIP awards in accordance with the limitations set forth in the terms and conditions of the plan.
 - You will be eligible to participate in UPS's defined contribution retirement program, subject to the terms and conditions thereof as in effect from time to time. As presently structured, the program provides:
 - o A 50% company match on your contributions up to 6% of eligible compensation; and
 - o A service-based UPS Retirement Contribution which begins as 5% of eligible compensation, increasing after five years of service, and is fully vested after three years of service.
 - You will be eligible for personal financial counseling services and tax return preparation reimbursement, within the limits established by UPS. The current annual limit for personal financial counseling and tax preparation services is **\$15,000**.

Benefits

- You will be eligible to participate in the UPS Flexible Benefits Plan in accordance with the terms and conditions thereof, including the following benefits:
 - o Healthcare (multiple plan options)
 - o Dental
 - o Vision Care
 - o AD&D Coverage
 - o Life Insurance (self, spouse, children)
 - o Critical Illness Insurance
 - o Healthcare Spending Account
 - o Child/Elder Care Spending Account
-

Information on the UPS Flexible Benefits Plan and enrollment will be provided separately to you.

- You will be eligible for **thirty** (30) days' vacation and **five** (5) personal days per annum.
- The **Chief Digital and Technology Officer** position is based in Atlanta, Georgia. You will be eligible to participate in the UPS New Hire Homeowner Relocation Program ("Relocation Assistance"), including pre-move house-hunting expenses, temporary living expenses, current home sale and new Atlanta home purchase expenses (e.g. fees), household goods moving expenses, and final moving expenses. The terms and conditions of the Relocation Assistance program will be separately provided to you, if applicable.

Additional Compensation

The following benefits (collectively "Transition Payments") will be provided to you in consideration of the compensation that you are forfeiting due to your termination of employment from your previous employer. The information below is intended to provide you a summary of each of these Transition Payments. The Restricted Stock Unit (RSU) and RPU awards will be made pursuant to (and subject to the terms and conditions of) the UPS 2021 Omnibus Incentive Compensation Plan and applicable award agreements. These agreements will contain vesting schedules and other terms and conditions of the awards which are not inconsistent with the terms set forth in this offer letter.

You will receive a special one-time grant on your start date of RSUs valued at **\$3,000,000** (for clarity, your start date will be the "date of grant"). The number of RSUs awarded will be calculated by dividing \$3,000,000 by the closing price of UPS Class B common stock on the grant date. This grant will vest as follows subject to your continued employment through the vesting dates:

- o 50% will vest on the first anniversary of your start date with UPS.
- o 50% will vest on the second anniversary of your start date with UPS.

However, if your employment is terminated by UPS without "Cause", as defined in section 2.a. of the UPS Protective Covenant Agreement and attached hereto as Exhibit A, or due to death or disability, vesting will continue in accordance with the terms of the award such that, for the avoidance of doubt, you (or your estate, as the case may be) will become vested in this award according to the preceding dates. Promptly following the vesting date, unrestricted, fully vested UPS Class A common stock will be issued to you (net of tax withholdings).

In addition, you will receive a one-time grant on your start date of LTIP RPUs valued at **\$1,000,000**. The number of RPUs subject to the award at target level will be calculated by dividing \$1,000,000 by the closing share price of UPS Class B common stock on the grant date ("Target RPUs"). The Target RPUs will vest December 31, 2023 and will be payable in 2024 in shares of UPS Class A common stock, subject to your continued employment by UPS through the applicable vesting date. If your employment is terminated by UPS without "Cause", or due to your death or disability, vesting will continue in accordance with the terms of the award, and will be paid to you or your estate, as the case may be. The total number of shares in UPS Class A common stock will be determined by multiplying the Target RPUs by the actual payout (expressed as a percent) under the company's LTIP for the 2021 LTIP performance period. This award is expected to be certified and paid (less tax withholdings) in February 2024.

You will receive cash payments in the total amount of \$1,000,000 in four equal installments of \$250,000 (less tax withholdings). You will receive the first payment within twenty-one days after the start of your UPS employment. Subject to your continued employment with UPS, you

will receive the second, third and fourth payments six, twelve and eighteen months respectively, after the start of your UPS employment. If your employment is terminated by UPS without "Cause" or due to death or disability, then you shall still be entitled to the cash payment on that date.

If your employment with your previous employer terminates before July 1, 2022 and you forfeit the \$1,000,000 retention bonus you would have received from your previous employer for remaining employed until July 1, you will receive a cash payment of \$1,000,000 (less tax withholdings) within twenty-one days after the start of your UPS employment.

Additional Terms

1. You will be an "at-will" employee, which means either you or UPS may terminate your employment at any time and for any reason.
 2. If you are terminated for Cause or you resign from UPS within 36 months following your start date, you agree to repay within 30 days from your last day of employment a pro-rata amount of the total paid Transition Payments. (Cause is defined in section 2.a. of the UPS Protective Covenant Agreement.) You will be required to sign a separate repayment agreement before receiving these benefits. Pro rata amounts shall be calculated on a monthly basis. Upon the passing of each one (1) month period, the amount subject to repayment shall be reduced by one thirty-sixth (1/36). For example, if you resign after sixteen (16) months but before completion of seventeen (17), then you shall repay twenty thirty-sixths (20/36) of the Transition Payments received by you.
 3. If you are terminated for Cause or you resign from UPS within 36 months following your start date, you agree to repay within 30 days from your last day of employment the full amount of any Relocation Assistance you received. You will be required to sign a separate repayment agreement before receiving these benefits.
 4. In the event you are obligated to reimburse UPS for the Transition Payments or Relocation Assistance, then you expressly authorize UPS to deduct that amount from your paycheck, including but not limited to your final paycheck or any other compensation (including incentive compensation payments) to which you may be entitled at the conclusion of employment. Your signature below indicates your agreement to these repayment terms.
 5. Your employment is contingent upon your signing the attached UPS Protective Covenant Agreement. This agreement protects the company's intellectual property, talent and competitive advantages while also meeting stockholder expectations governing executive compensation. You are encouraged to read this agreement carefully and make sure that you understand its terms. In summary, the restrictions set forth in the Agreement include:
 - A prohibition on disclosure of the company's confidential information;
 - A non-compete provision covering all domestic and worldwide geographic areas in which UPS does business in the transportation and logistics industries; and
 - A prohibition on recruiting or soliciting Company employees and customers.
 6. This offer is contingent on background check results.
 7. Your continued employment is contingent on your maintaining valid immigration and work status in the United States. If for any reason your immigration or work status changes and you become ineligible to reside or work in the United States, this will be treated as your resignation from UPS.
 8. We anticipate your start date with UPS to be **July 15, 2022**.
-

Summary

Compensation	Amount
Base Salary	\$725,000/year (\$60,416.67/month) - Merit increases are recommended and applied in April each year.
Management Incentive Program (MIP) Performance Incentive	Target of 130% of annualized salary. - Awards generally granted in March each year - 2022 award (paid in 2023) will be prorated based on hire date - Initial award will be paid in unrestricted Class A UPS stock (March 2023) - Subsequent awards payable 1/3 electable cash and 2/3 RPU's with one-year vesting.
Management Incentive Program (MIP) Ownership Incentive	1.50% of the value of eligible UPS holdings (up to one month's salary) - Eligible holdings include Class A UPS stock and any outstanding or unvested RSUs and MIP RPU's (except LTIP RPU's) - Same delivery as MIP Performance Incentive
Long-Term Incentive Performance Award (LTIP) Program	Target of 450% of annualized salary. - Awards generally granted in March each year - Delivered in RPU's and payable at completion of 3-year performance period - Prorated 2022 LTIP award of \$2,718,750
Stock Option Grant	Target of 50% of annualized salary. - Awards generally granted in February each year
TOTAL TARGET DIRECT COMPENSATION	\$5,352,917 (does not include Additional Compensation)

Benefits	Detail
UPS Retirement Program	Currently 50% company match on contributions up to 6% of eligible compensation + Service-based UPS Retirement Contribution (which begins at 5% of eligible compensation).
UPS Flex Benefits Plan	Healthcare (multiple plan options), Dental, Vision Care, AD&D Coverage, Life Insurance, Critical Illness Insurance, Healthcare Spending Account, Child/Elder Care Spending Account.
UPS New Hire Homeowner Relocation Program	Pre-move house-hunting expenses, temporary living expenses, home purchase expenses (e.g. fees / closing cost), household goods moving expenses, and final moving expenses.
Paid Time Off: Vacation + Discretionary	30 days + 5 discretionary days

Transition Payments	Amount
Transition Payments	\$3,000,000 in RSUs - 50% vest on first year anniversary - 50% vest on second year anniversary \$1,000,000 in LTIP RPU's - 100% vest December 2023 - Pay in February 2024 \$1,000,000 in total cash payments - Pay in four equal installments - Hire date, 6, 12 and 18 months employment \$1,000,000 cash payment - Paid after hire date - Contingent on forfeiture of \$1,000,000 retention bonus from previous employer

I look forward to working with you and expect you will find your partnership with UPS to be a rewarding and exciting experience.

Sincerely,

/s/ CAROL B. TOMÉ

Carol Tomé
UPS Chief Executive Officer

Acceptance

I have read the offer of at-will employment UPS has presented to me in this Offer Letter. I understand and agree that if I choose to accept UPS's offer that my employment at UPS, both in the position of **Chief Digital and Technology Officer**, and in any other position to which I may be transferred or promoted in the future, my employment is and will remain "at-will" and that both UPS and I will have the right to terminate the employment relationship at any time and for any reason without prior notice. I also understand and agree that neither company policy, practice nor employee statements to me can alter the at-will status of my employment. My status as an at-will employee may be modified only by a written employment agreement so specifying and signed by an officer of UPS.

ACCEPTED BY:

/s/ Bala Subramanian

(Signature, Bala Subramanian)

May 24, 2022

(Date)

BALA SUBRAMANIAN

(Print Name)

UPS PROTECTIVE COVENANT AGREEMENT

I, **Bala Subramanian**, am voluntarily entering into this Protective Covenant Agreement (“Agreement”) with United Parcel Service, Inc. (“UPS” or “the Company”) on the date set forth below (the “Effective Date”).

1. ACKNOWLEDGMENTS.

(a) **Key Employee:** I acknowledge and agree that, by reason of my highly specialized skillset and the Company’s investment of time, training, money, trust, and exposure to Confidential Information, I am intimately involved in the planning and direction of the Company’s global business operations.

(b) **Consideration:**

Employment: I acknowledge and agree that my execution of, and compliance with, this Agreement are material factors in the Company’s decision to hire me and to provide me with access to Confidential Information that is not provided to other employees of the Company, which constitutes good and valuable consideration for the covenants set forth in this Agreement.

(c) **Potential Unfair Competition:** I acknowledge and agree that, as a result of my receipt of Confidential Information, my role at UPS, and my relationships with UPS customers and/or employees, I would have an unfair competitive advantage if I were to violate this Agreement.

(d) **No Undue Hardship:** I acknowledge and agree that, in the event that my employment with the Company terminates for any reason, I possess marketable skills and abilities that will enable me to find suitable employment without violating the covenants set forth in this Agreement.

(e) **Voluntary Execution:** I acknowledge and affirm that I am executing this Agreement voluntarily, that I have read this Agreement carefully, that I have had a full and reasonable opportunity to consider this Agreement (including actual consultation with legal counsel), and that I have not been pressured or in any way coerced, threatened or intimidated into signing this Agreement.

2. DEFINITIONS.

(a) “Cause” means a termination of my employment by the Company due to one or more of the following: the commission of any felony or commission of a misdemeanor involving theft or moral turpitude; and/or commission of any act or omission that constitutes gross neglect or willful misconduct (other than periods of illness) or misconduct with respect to my employment duties that results in economic harm to the Company; and/or violation of any of the Company’s substance abuse, compliance or any other material written policies that may be applicable to me and that may be in effect at the time of the occurrence; and/or a material breach of any material provision of this Agreement or any other agreements or understanding in effect at the time of the breach, between me and the Company. Any act, or failure to act, based upon authority given pursuant to a resolution duly adopted by the Board of Directors of the Company or upon the instructions of the Chief Executive Officer of the Company or based upon the advice of counsel for the Company shall be conclusively presumed to be done, or omitted to be done, in good faith and in the best interests of the Company. I shall be provided a 15-day period to cure any of the events or occurrences described above, to the extent curable.

(b) “Company” means United Parcel Service, Inc., a Delaware Corporation with its principal place of business in Atlanta, Georgia, and all of its Affiliates (as defined in O.C.G.A. § 13-8-51(1)).

(c) “Confidential Information” means all information regarding the Company, its activities, businesses or customers which I learned as a result of my employment, that is valuable to the Company and that is not generally disclosed by practice or authority to persons not employed or otherwise engaged by the Company, but that does not rise to the level

of a Trade Secret. "Confidential Information" shall include, but is not limited to, financial plans and data; legal affairs; management planning information; business plans; acquisition plans; operational methods and technology; market studies; marketing plans or strategies; product development techniques or plans; customer lists; details of customer contracts; current and anticipated customer requirements and specifications; customer pricing and profitability data; past, current and planned research and development; employee-related information and new personnel acquisition plans. "Confidential Information" shall not include information that is or becomes generally available to the public by the act of one who has the right to disclose such information without violating any right or privilege of the Company. However, although certain information may be generally known in the relevant industry, the fact that the Company uses such information may not be so known and in such instance the information would compromise Confidential Information. This definition shall not limit any definition of "confidential information" or any equivalent term under applicable state or federal law.

(d) "Protected Customers" means customers or actively sought potential customers with whom I had material contact, which shall include customers or actively sought potential customers (i) who I dealt with on behalf of the Company; (ii) whose dealings with the Company are or were coordinated or supervised by me; or (iii) about whom I obtained Confidential Information as a result of my employment with the Company.

(e) "Protected Employee" means an employee of the Company who is employed by the Company at the time of any solicitation or attempted solicitation by me.

(f) "Restricted Competitors" means a person engaged in any business competitive with the Company's and its Subsidiaries' businesses of package delivery and global supply chain management solutions. Restricted Competitors shall be defined to include any affiliates of such entities that are engaged in delivery, transportation and/or logistics services and activities. In addition, Restricted Competitors include, without limitation, the entities listed on Exhibit A.

(g) "Restricted Period" means during my employment with UPS and for a period of two (2) years after my employment ends for any reason.

(h) "Trade Secret" means all of the Company's information that I learned about as a result of my employment, without regard to form, including, but not limited to, technical or nontechnical data, a formula, a pattern, a compilation, a program, a device, a method, a technique, a drawing, a process, financial data, financial plans, product plans, distribution lists or a list of actual or potential customers, advertisers or suppliers, that (i) derives economic value, actual or potential, from not being generally known to the public or to other persons who can obtain economic value from its disclosure or use; and (ii) is the subject of efforts that are reasonable under the circumstances to maintain its secrecy. This definition shall not limit any definition of "trade secrets" or any equivalent term under applicable law.

3. NON-DISCLOSURE AND PROHIBITION AGAINST USE OF CONFIDENTIAL INFORMATION AND TRADE SECRETS.

I agree that I will not, directly or indirectly, reveal, divulge, or disclose any Confidential Information or Trade Secrets to any Person not expressly authorized by the Company to receive such information. I further agree that I will not, directly or indirectly, use or make use of any Confidential Information or Trade Secrets in connection with any business activity other than business activity that I am pursuing on behalf of the Company. I acknowledge and agree that this Agreement is not intended to, and does not, alter either the Company's rights or my obligations under any state or federal statutory or common law regarding trade secrets and unfair trade practices. I also understand that nothing contained in this Agreement limits my ability to communicate with any federal, state or local governmental agency or commission ("Government Agencies") or otherwise participate in any investigation or proceeding that may be conducted by any Government Agencies in connection with any charge or complaint, whether filed by me, on my behalf, or by any other individual. I additionally understand and agree that if I make a confidential disclosure of a Company Trade Secret (as defined in 18 U.S.C. § 1839) to a government official or an attorney for the sole purpose of reporting or investigating a suspected

violation of law, or in a court filing under seal, I shall not be held liable under this Agreement or under any federal or state trade secret law for such a disclosure.

I agree that I will not use or disclose any confidential information or trade secrets of any former employer or other person to whom I have a confidentiality obligation. I confirm I have carefully reviewed my files (including emails, computer files and hard copies, whether personal or business) and deleted, and not retained copies of, any files prepared, generated or used during any prior employment that could contain confidential information or trade secrets of my current or former employer. I agree not to bring on to Company premises any unpublished documents or property belonging to any former employer or other person to whom I owe a confidentiality obligation.

4. NON-SOLICITATION OF PROTECTED EMPLOYEES.

During the Restricted Period, I will not, without the prior written consent of the Company, directly or indirectly, solicit or induce or attempt to solicit or induce any Protected Employee to terminate his/her employment relationship with the Company or to enter into employment with me or any other person or entity.

5. NON-SOLICITATION OF PROTECTED CUSTOMERS.

During the Restricted Period, I will not, without the prior written consent of the Company, directly or indirectly, solicit, divert, take away or attempt to solicit, divert or take away a Protected Customer for purposes of providing products and services that are competitive with those provided by the Company.

6. COVENANT NOT TO COMPETE.

During the Restricted Period, I will not, without the prior written consent of the Company, (a) work for a Restricted Competitor; (b) provide advice or consulting services to a Restricted Competitor; or (c) otherwise provide services to a Restricted Competitor that are similar to those services that I provided to the Company and that are competitive with the transportation, delivery or logistics services provided by the Company during my employment. I understand and agree that this non-compete provision is limited to the geographic area where the Company did business during my employment.

7. ENFORCEMENT OF PROTECTIVE COVENANTS.

I acknowledge and agree that the covenants in Paragraphs 3-6 ("Protective Covenants") are necessary to protect the Company's legitimate business interests. In the event that I breach, or threaten to breach, the Protective Covenants, I agree that the Company shall have the right and remedy to: (a) enjoin me, preliminarily and permanently (without the necessity of posting bond), from violating or threatening to violate the Protective Covenants because any breach or threatened breach of the Protective Covenants would cause irreparable injury to the Company and that money damages would not provide an adequate remedy; (b) require me to account for and pay over to the Company all compensation, profits, monies, or other benefits derived or received by me as the result of any breach of the Protective Covenants; and (c) require me to pay the reasonable attorneys' fees and costs incurred by the Company in enforcing the Protective Covenants.

8. SEVERABILITY / REFORMATION.

I acknowledge and agree that the Protective Covenants are reasonable in time, scope and all other respects and that they will be considered and construed as separate and independent covenants. Should any part or provision of any of the Protective Covenants be held invalid, void or unenforceable in any court of competent jurisdiction, I understand and agree that such invalidity, voidness or unenforceability does not invalidate, void or otherwise render unenforceable any other part or provision of this Agreement. I further agree that, in the event any court of competent jurisdiction finds any of the Protective Covenants to be invalid or unenforceable (in whole or in part), the invalid or unreasonable term must be modified or redefined, or a new enforceable term provided, so that the Protective Covenants are enforceable to the fullest extent permitted by law.

9. TOLLING DURING LITIGATION.

I understand and agree that if I violate any of the Protective Covenants, the period of restriction applicable to each obligation violated will not run during any litigation over such violation, provided that such litigation was initiated during the period of the restriction.

10. RETURN OF MATERIALS.

Immediately following the termination of my employment for any reason or upon request from the Company at any other time, I agree to return all materials, documents, and/or information in my possession or control relating to the Company without retaining any copies in either electronic or hard copy form. I also agree that following my termination for any reason, or upon request from the Company, I will return all materials, documents, and/or information that I received or created in connection with my work as a Key Employee, including but not limited to Confidential Information and Trade Secrets. Such documents, materials and information shall include, without limitation, documents, materials, equipment, keys, credit cards, financial information, correspondence, computer equipment and data, and other documents and things belonging to the Company, including but not limited to Confidential Information and Trade Secrets.

11. AMENDMENT / ASSIGNMENT.

I understand and agree that this Agreement cannot be amended or modified unless such amendment or modification is made in writing and signed by me and a duly authorized representative of the Company. I recognize that this Agreement is for personal services to be performed by me and, as a result, may not be assigned by me to any other Person. I further understand that the Company may assign this Agreement as required by the needs of the business.

12. GOVERNING LAW AND JURISDICTION.

I agree that, without regard to conflict of laws principles, the laws of the state of Georgia govern this Agreement in all respects. I further agree that the federal or state courts of Georgia have exclusive jurisdiction over any dispute relating to this Agreement and I specifically consent to personal jurisdiction in such courts, even if I no longer reside in Georgia at the time of any dispute arising out of or involving this Agreement.

13. WAIVER.

I acknowledge that any waiver by the Company of any breach of this Agreement by me shall not be effective unless confirmed in writing, and that no such waiver shall operate or be construed as a waiver of the same breach or another breach on a subsequent occasion.

14. AT-WILL EMPLOYMENT.

I understand that this Agreement does not create a contract of employment and that my employment relationship with the Company remains at-will.

15. DISCLOSURE OF AGREEMENT.

In the event that I leave the Company for any reason, I agree to disclose the existence and terms of this Agreement to any prospective employer, partner, co-venturer, investor or lender prior to entering into an employment, partnership or other business relationship with such prospective employer, partner, co-venturer, investor or lender.

16. ENTIRE AGREEMENT.

This Agreement shall be construed as a whole according to its fair meaning. It shall not be construed strictly for or against me or the Company. There have been no offers or inducements regarding the making of this Agreement except as set out herein and the Offer Letter. This Agreement and the Offer Letter constitutes the entire agreement and understanding between me and the Company relating to the subjects described in this Agreement. For the sake

of clarity, the document entitled "List Of Restricted Competitors" referenced above in Paragraph 2.(f) is incorporated herein by reference.

17. COUNTERPARTS.

This Agreement may be executed in any number of counterparts, each of which will be deemed an original, and all of which together will constitute the same instrument. The exchange of a fully executed Agreement (in counterparts or otherwise) by electronic transmission in .PDF format or by facsimile shall be sufficient to bind the parties to the terms and conditions of this Agreement. A facsimile or scanned (e.g., .PDF, .GIF, etc.) signature shall be deemed to be an original.

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SIGNATURE PAGE

Executed this 24 day of May, 2022

/s/ Bala Subramanian
Bala Subramanian

Executed this 17 day of February, 2023

/s/ Norman M. Brothers, Jr.
UNITED PARCEL SERVICE, INC.

UPS MANAGEMENT INCENTIVE PROGRAM

Amended and Restated Terms and Conditions

November 2, 2022

1. Establishment, Objectives and Duration.

1.1 Establishment of the Program. The Compensation and Human Capital Committee of the Board of Directors of United Parcel Service, Inc. (“Committee”) hereby amends and restates the UPS Management Incentive Program (“MIP”), to provide for Management Incentive Awards to selected Eligible Employees pursuant to the United Parcel Service, Inc. 2021 Omnibus Incentive Compensation Plan, as it may be amended or amended and restated from time to time, including any successor plan (the “ICP”). This document sets forth the rules under which such Management Incentive Awards will be made and administered for Eligible Employees. Unless otherwise defined in this document (in Section 7 or otherwise), capitalized terms shall have the meanings set forth in the ICP.

These MIP terms and conditions shall be effective from the date set forth above and will relate to and govern MIP Awards for the 2022 Plan Year only.

1.2 Objectives of the MIP. The objectives of the MIP are to align incentive pay with annual performance. The MIP is also intended to align the interests of certain of the Company’s employees and shareowners by strengthening the link between key business objectives and incentive compensation.

2. Administration.

2.1 Authority of the Committee. The MIP will be administered by the Committee, which shall have the same power and authority to administer the MIP as it does to administer the ICP.

2.2 Delegation. Except with respect to the obligations assigned to the Committee to determine awards for Executive Leadership Team Eligible Employees, including those identified in Sections 4.1.5, 4.2.4, 5.3.2.3 and 7.6, and to amend or terminate the MIP as described in Section 6.6, the Committee may (subject to applicable law and the terms of the ICP) delegate its power, authority and duties as identified herein to a committee comprised of members of management of the Company responsible for determining or overseeing compensation for individuals other than Executive Leadership Team members or to the Executive Leadership Team or any members thereof (the “Management Compensation Committee”). The Management Compensation Committee shall have those powers, authority and duties expressly delegated to it herein, including, for example, to make MIP Awards to Eligible Employees who are not Executive Leadership Team Eligible Employees, together with any other powers, authority and duties delegated to it by the Committee.

2.3 Decisions Binding. All decisions of the Committee shall be final, conclusive, and binding on all persons, including the Company, its shareowners, any Eligible Employee, and their estates and beneficiaries. Further, all decisions of the Management Compensation Committee or any other delegate of the Committee within the scope of the applicable delegation shall be final, conclusive, and binding on all persons as if made by the Committee.

3. Eligibility for Awards. Only an Eligible Employee shall be considered for a MIP Award. The Management Compensation Committee shall have broad discretion to determine the eligibility criteria for Eligible Employees other than Executive Leadership Team Eligible Employees. An employee who is eligible for an award under the UPS International Management Incentive Program shall not also be an Eligible Employee under the MIP for the same Plan Year. If an employee (other than an Executive Leadership Team Eligible Employee) could be considered for either the UPS International Management Incentive Program or the MIP in the same Plan Year, the Management Compensation Committee shall have complete discretion to determine which program the employee will participate in, and to make appropriate adjustments for employees (other than Executive Leadership Team Eligible Employees) who transfer from an employment category covered by the UPS International Management Incentive Program to the MIP during any Plan Year.

4. MIP Awards. The MIP Award is comprised of two types of awards, a Performance Incentive Award and an Ownership Incentive Award.

4.1 Performance Incentive Award.

4.1.1 Eligible Employees (other than Executive Leadership Team Eligible Employees). The Performance Incentive Award for each Eligible Employee (other than an Executive Leadership Team Eligible Employee) is determined by multiplying the Eligible Employee's Annualized Salary by the MIP Factor and the Eligible Employee's Performance Incentive Award Target as described on Exhibit A. Annualized Salary and the Performance Incentive Award Target are determined as of the MIP Record Date for the applicable Plan Year.

4.1.2 Business Elements. The Management Compensation Committee shall have broad discretion to establish the business elements upon which the MIP Factor for a Plan Year will be based and shall establish and communicate those business elements as soon as reasonably practicable each Plan Year.

4.1.3 MIP Factor, Award Determination. The Management Compensation Committee shall have broad discretion to determine the MIP Factor for each Plan Year. At the end of each Plan Year, the Management Compensation Committee will examine the performance in respect of each business element, will establish the MIP Factor for such Plan Year and will calculate the Performance Incentive Award to be paid to each Eligible Employee (other than an Executive Leadership Team Eligible Employee) and will grant the

Performance Incentive Award to each such Eligible Employee. At the Management Compensation Committee's direction, Eligible Employees will receive written notification of their Performance Incentive Awards.

4.1.4 Minimum MIP Factor. Prior to the end of any Plan Year, the Management Compensation Committee may establish a minimum MIP Factor that will result in payment of a minimum Performance Incentive Award for each Eligible Employee (other than an Executive Leadership Team Eligible Employee) employed on the MIP Eligibility Date for such Plan Year without regard to the performance in respect of the business elements of such Plan Year. The Management Compensation Committee may communicate any such minimum MIP Factor to the Committee.

4.1.5 UPS Executive Leadership Team. The Committee must approve and grant the Performance Incentive Award for any Executive Leadership Team Eligible Employee.

4.2 Ownership Incentive Award.

4.2.1 General. The Ownership Incentive Award for each Eligible Employee for a Plan Year is equal to the product of the Eligible Employee's Ownership Incentive Award Percentage as described on Exhibit B (based on the Eligible Employee's classification as of the MIP Record Date for the Plan Year for which the award is made) and the Fair Market Value of the Shares the Eligible Employee is deemed to own as of the last full trading day for such Plan Year (or such other trading date as may be selected by the Management Compensation Committee), but not in excess of the Eligible Employee's monthly rate of Base Salary as of the MIP Record Date.

4.2.2 Deemed Ownership and Value of Shares. An Eligible Employee will be deemed to own the number of Shares equal to the sum of (i) the Eligible Employee's Family Group Account Shares, (ii) the number of his or her unvested Restricted Stock Units, Restricted Performance Units ("RPU") (excluding those unvested RPUs granted in connection with the UPS Long-Term Incentive Performance Program) and dividend equivalent units ("DEUs") associated with those units, (iii) the number of his or her restricted Shares and (iv) the number of Shares held for the Eligible Employee's UPS Deferred Compensation Plan account, in each case on the date as of which deemed ownership of Shares is determined. The value of a Share will be equal to the Fair Market Value of a Share on the date as of which deemed ownership of Shares is determined.

4.2.3 Year End Determinations. At the end of each Plan Year, the Management Compensation Committee will calculate the Ownership Incentive Award for each Eligible Employee (including each Executive Leadership Team Eligible Employee). The Management Compensation Committee may grant the Ownership Incentive

Award to each Eligible Employee who is not an Executive Leadership Team Eligible Employee. At the Management Compensation Committee's direction, each Eligible Employee will receive written notification of his or her award.

4.2.4 UPS Executive Leadership Team. The Committee must approve and grant the Ownership Incentive Award for any Executive Leadership Team Eligible Employee.

4.3 Maximum Individual Award. The value of the Electable Portion of the MIP Award for an Eligible Employee for any calendar year when added to the value of other cash awards made to that Eligible Employee under the ICP in the same calendar year shall not exceed the Fair Market Value of 600,000 Shares. The value of the portion of the MIP Award made in RPU's to an Eligible Employee for any calendar year when added to the value of other RPU's or Restricted Performance Shares granted under the ICP to that Eligible Employee in the same calendar year shall not exceed the Fair Market Value of 600,000 Shares.

4.4 Pro-rated Awards. The Committee shall have broad discretion for making pro-rated Performance Incentive Awards to Executive Leadership Team Eligible Employees who are actively employed for less than the entire Plan Year. The Management Compensation Committee shall also have broad discretion for making pro-rated Performance Incentive Awards to Eligible Employees (other than Executive Leadership Team Eligible Employees) who are actively employed for less than the entire Plan Year. Reasons for proration may include but are not limited to: approved leaves of absence (including, but not limited to, disability leave, workers' compensation leave, Family and Medical Leave Act, military leave or personal leave), transfer from full-time management to part-time management status, mid-year hires, temporary assignments, Retirement or death.

5. Payment of Awards.

5.1 Form and Timing. The MIP Award for any Plan Year shall be paid as follows:

5.1.1 Electable Portion. At the election of the Eligible Employee or Executive Leadership Team Eligible Employee, in accordance with Section 5.2.1, one-third (one-half for Eligible Employees classified as Mid Managers or Supervisors) of the total value of the MIP Award (the "Electable Portion") less applicable taxes will be (i) paid in cash or Shares or any combination thereof, or (ii) contributed to a UPS tax-qualified defined contribution plan (subject to the terms and conditions of that plan), in each case no later than March 15 following the Plan Year to which the applicable MIP Award relates.

5.1.2 RPU's. The remainder of the MIP Award will be paid in RPU's. Such RPU's shall be granted between January 1 and February 15 following the Plan Year to which the applicable MIP Award relates. A bookkeeping account will be maintained for RPU awards, and

such account will be adjusted for DEUs each time dividends are paid on Shares.

5.1.3 First MIP Award. Notwithstanding the foregoing, an Eligible Employee's first MIP Award will be paid entirely in Shares no later than March 15 following the Plan Year to which the applicable MIP Award relates.

5.2 Elections With Respect To Electable Portion.

5.2.1 Cash, Shares or Qualified Plan. Except as provided in Section 5.1.3 or Section 5.2.2, an Eligible Employee or Executive Leadership Team Eligible Employee may elect in accordance with rules established by the Management Compensation Committee the extent to which the Electable Portion is paid in cash, Shares, or contributed to a UPS tax-qualified defined contribution plan (subject to the terms and conditions of that plan). Such election must be made within the period established by the Management Compensation Committee for such elections. Any portion elected to be contributed to a tax-qualified plan that cannot be contributed to that plan because of the limitations on contributions to that plan will be paid to the Eligible Employee or Executive Leadership Team Eligible Employee in cash.

5.2.2 UPS Deferred Compensation Plan. Prior to the beginning of the Plan Year during which a MIP Award is earned, Eligible Employees or Executive Leadership Team Eligible Employees who are eligible to make deferral elections under the UPS Deferred Compensation Plan may elect to defer all or a portion of the Electable Portion of any award for such Plan Year in accordance with the terms of the UPS Deferred Compensation Plan. If an Eligible Employee or Executive Leadership Team Eligible Employee dies before the Electable Portion of a MIP Award is paid, any such deferral election shall be null and void and the MIP Award, if any, payable with respect to such Eligible Employee or Executive Leadership Team Eligible Employee shall be determined in accordance with Section 5.5.

5.3 Vesting.

5.3.1 Electable Portion. The Electable Portion vests on the MIP Eligibility Date for the Plan Year for which the MIP Award is made, provided the Eligible Employee is employed by the Company or an affiliate on such date. However, the Management Compensation Committee may provide for vesting of the Electable Portion at other dates or under other circumstances for Eligible Employees who are not Executive Leadership Team Eligible Employees.

5.3.2 RPUs.

5.3.2.1 General. RPUs vest on the MIP Eligibility Date of the Plan Year for which the MIP Award is made, provided the

Eligible Employee is employed by the Company or an affiliate on such date. Except as otherwise provided herein, Shares underlying the vested RPU's and any earned DEUs will be transferred to an Eligible Employee's account as soon as administratively practicable following the one-year anniversary of the grant date.

5.3.2.2 Termination of Employment. If employment terminates by reason of Disability or Retirement, Shares underlying the vested RPU's and any earned DEUs will be transferred to the former Eligible Employee's account as if the former Eligible Employee had continued to be employed with the Company or an affiliate. If employment terminates by reason of death, Shares underlying the vested RPU's and any earned DEUs will be transferred to the estate of a deceased Eligible Employee within 90 days after the date of death.

5.3.2.3 Acquisition or Merger. The Management Compensation Committee shall have broad discretion to vary the vesting terms of an RPU Award for an Eligible Employee who became an Employee as a result of an acquisition or a merger; provided, however, that any such recommendation with respect to an Executive Leadership Team Eligible Employee must be approved by the Committee.

5.3.3 Shares. The portion, if any, of the MIP Award payable in Shares will be vested on the date of grant.

5.4 Tax Withholding. MIP Awards will be reduced for applicable taxes or the Eligible Employee shall remit taxes in accordance with Article 16 of the ICP.

5.5 Death. Notwithstanding any contrary provision of the MIP and subject to Section 5.4, the following provisions shall apply if an Eligible Employee or Executive Leadership Team Eligible Employee dies before the MIP Award for a Plan Year is paid in cash or RPU's are granted with respect to such MIP Award.

5.5.1 Death Before MIP Eligibility Date. If an Eligible Employee or Executive Leadership Team Eligible Employee dies during the Plan Year and before the MIP Eligibility Date, a prorated portion of his or her MIP Award for such Plan Year shall be fully vested and payable entirely in cash to his or her estate as soon as practicable and no later than 90 days after the date of death. The Performance Incentive Award will be calculated at target for such Eligible Employee's or Executive Leadership Team Eligible Employee's job classification and salary on his or her date of death and prorated based on his or her number of calendar months of active employment completed in such Plan Year. The Ownership Incentive Award will be equal to the product of the deceased Eligible Employee's or Executive Leadership Team Eligible Employee's Ownership Incentive Award Percentage and the value of the Shares the Eligible Employee or

Executive Leadership Team Eligible Employee was deemed to own as of the last full trading day on the NYSE prior to the date of death, but not greater than his or her monthly rate of Base Salary as of the date of death.

- 5.5.2 Death after MIP Eligibility Date and Before Payment.** If an Eligible Employee or Executive Leadership Team Eligible Employee dies after the MIP Eligibility Date and before the MIP Award for a Plan Year is paid, his or her actual MIP Award for such Plan Year shall be paid entirely in cash to his or her estate as soon as practicable and no later than 90 days after the date of death.

6. Miscellaneous.

- 6.1 Awards Subject to the Terms of the ICP.** MIP Awards are subject to the terms of the ICP.
- 6.2 Section 409A Compliance.** Each MIP Award is intended either to be exempt from or to comply with Code § 409A and the 409A Guidance. This document and the ICP shall be administered in a manner consistent with this intent, and any provisions that would cause this document or the ICP to fail to satisfy Code § 409A or the 409A Guidance shall have no further force or effect until amended to comply with or be exempt from Code § 409A and the 409A Guidance (which amendment may be retroactive to the extent permitted by Code § 409A and the 409A Guidance and may be made by the Company without an Eligible Employee's consent). The Electable Portion is intended to be exempt from Section 409A as a short term deferral. To the extent that benefits provided under the MIP constitute deferred compensation for purposes of Code § 409A and the 409A Guidance and to the extent that deferred compensation is payable upon a "separation from service" as defined in Section 409A, no amount of deferred compensation shall be paid or transferred to the Eligible Employee as a result of the Eligible Employee's separation from service until the date which is the earlier of (i) the first day of the seventh month after the Eligible Employee's separation from service or (ii) the date of the Eligible Employee's death (the "Delay Period").
- 6.3 Severability.** The provisions of the MIP are severable and if any one or more provisions are determined to be illegal or otherwise unenforceable, in whole or in part, the remaining provisions shall nevertheless be binding and enforceable.
- 6.4 Waiver.** Each Eligible Employee acknowledges that a waiver by the Company of breach of any provision of the MIP shall not operate or be construed as a waiver of any other provision of the MIP, or of any subsequent breach by the Eligible Employee or any other participant.
- 6.5 Imposition of Other Requirements.** The Committee reserves the right to impose other requirements on an Eligible Employee's participation in the MIP, on the MIP Award and on any Shares acquired under the ICP, to the extent the Committee determines it is necessary or advisable for legal or administrative reasons, and to require the Eligible Employee to sign any
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additional agreements or undertakings that may be necessary to accomplish the foregoing.

- 6.6 Amendment and Termination.** The Committee may amend, alter, suspend or terminate the MIP, any Exhibit and any award granted under the MIP at any time subject to the terms of the ICP. Any amendment shall be in writing and approved by the Committee. Subject to the terms of the ICP, the Management Compensation Committee may make administrative amendments to the MIP and the Exhibits from time to time provided that any such amendment shall be reviewed with the Committee and a copy of such amendment kept with the records of the MIP. An administrative amendment does not include any amendment that would materially change the terms and conditions of the MIP that were previously approved by the Committee, including, by way of example, any increase or decrease in the amount of a MIP Award, the Performance Incentive Award Target, or the Ownership Incentive Award Percentage.
- 6.7 Equitable Adjustments.** The MIP Awards and the number of Shares issuable for each MIP Award and the other terms and conditions of a MIP Award evidenced by this document are subject to adjustment as provided in Sections 4.5 and 15.2 of the ICP.
- 6.8 Electronic Delivery.** The Company may, in its sole discretion, deliver any documents related to the MIP Awards and an Eligible Employee's participation in the ICP, or future awards that may be granted under the ICP, by electronic means or request an Eligible Employee's consent to participate in the ICP by electronic means. An Eligible Employee hereby consents to receive such documents by electronic delivery and, if requested, agrees to participate in the ICP through an on-line or electronic system established and maintained by the Company or another third party designated by the Company.
- 6.9 No Right to Future Awards or Employment.** The grant of a MIP Award to an Eligible Employee is a voluntary, discretionary award being made on a one-time basis and it does not constitute a commitment to make any future awards. Nothing contained in this document shall confer upon an Eligible Employee any right to be employed or remain employed by the Company or any of its Subsidiaries, nor limit or affect in any manner the right of the Company or any of its Subsidiaries to terminate an Eligible Employee's employment or adjust an Eligible Employee's compensation.
- 6.10 Acknowledgement.** By accepting an MIP Award, an Eligible Employee accepts and acknowledges the terms and conditions included in this document. Each Eligible Employee acknowledges that the Eligible Employee (i) has received a copy of the ICP, (ii) has had an opportunity to review the terms of this document and the ICP, (iii) understands the terms and conditions of this document and the ICP and (iv) agrees to such terms and conditions.
- 6.11 Repayment.** Notwithstanding anything in this document to the contrary, each Eligible Employee acknowledges and agrees that this document and the awards described herein (and any settlement thereof) are subject to the terms
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and conditions of the Company's clawback policy (if any) as may be in effect from time to time, including specifically to implement Section 10D of the Exchange Act and any applicable rules or regulations promulgated thereunder (including applicable rules and regulations of any national securities exchange on which the Stock may be traded) (the "Compensation Recovery Policy"), and that relevant sections of this document shall be deemed superseded by and subject to the terms and conditions of the Compensation Recovery Policy from and after the effective date thereof.

7. Definitions. Except as set forth below, capitalized terms will have the meanings set forth in the ICP.

7.1 Annualized Salary. For each Plan Year, an Eligible Employee's monthly rate of Base Salary determined as of the MIP Record Date multiplied by 12.

7.2 Base Salary. The annual or monthly rate, as applicable, of an Eligible Employee's base salary as determined as of the MIP Record Date of the Plan Year for which the MIP Award is made or, if earlier, the date of death.

7.3 DEUs. Dividend equivalent units for dividends paid on Shares determined as follows:

7.3.1 In the case of Share dividends, by multiplying the per Share dividend by the number of RPUs and DEUs credited to the Eligible Employee's account prior to the adjustment for the dividend; and

7.3.2 In the case of a cash dividend or non-Share property dividend, by (i) multiplying the cash dividend paid per Share or the fair market value of the property transferred per Share by the number of RPUs and DEUs credited to the Eligible Employee's account prior to adjustment for the dividend and (ii) dividing the product obtained in (i) by the Fair Market Value of a Share on the last full trading day before the dividend is paid.

Each DEU shall have a value equal to one Share.

7.4 Disability. Disability as defined in the long-term disability plan of the Company or an affiliate under which the Eligible Employee is eligible for coverage or if there is no such plan, disability as determined by the Management Compensation Committee in its discretion for an Eligible Employee who is not an Executive Leadership Team Eligible Employee and by the Committee in its discretion for an Executive Leadership Team Eligible Employee.

7.5 Electable Portion. The portion of the MIP Award described in Section 5.1.1.

7.6 Eligible Employee. For each Plan Year, (i) an Employee (other than an Executive Leadership Team Eligible Employee) who (a) is classified at the supervisor level or above on the MIP Record Date, (b) is continuously employed with the Company or an affiliate through the MIP Eligibility Date, (c) satisfies such other eligibility criteria as may be developed from

time to time by the Management Compensation Committee, (d) is recommended by his or her managers and (e) approved by the Management Compensation Committee or (ii) an Executive Leadership Team Eligible Employee.

- 7.7 **Family Group Account Shares.** The number of Shares in an Eligible Employee's individual Computershare account, as well as Shares in any other Computershare account which the Eligible Employee has transferred Shares to during his or her career. Shares held in either an Individual Retirement Account (IRA) or the UPS Stock Fund (UPS Savings Plan) are not Family Group Account Shares.
 - 7.8 **Executive Leadership Team Eligible Employee.** For any Plan Year, an Employee who is a member of the UPS Executive Leadership Team as of the MIP Record Date.
 - 7.9 **Management Incentive Award. A MIP Award** granted under the ICP, with terms and conditions as described in this document.
 - 7.10 **MIP.** The UPS Management Incentive Program, as amended from time to time.
 - 7.11 **MIP Award.** The Performance Incentive Award and the Ownership Incentive Award under the MIP.
 - 7.12 **MIP Eligibility Date.** December 31 of the Plan Year (or such other date as may be selected by the Management Compensation Committee or the Committee).
 - 7.13 **MIP Factor.** For each Plan Year, the factor (expressed as a percentage) determined by the Management Compensation Committee pursuant to Section 4.1.3. to reflect performance with respect to the business elements identified for the Plan Year.
 - 7.14 **MIP Record Date.** For each Plan Year, December 1 (or such other date as may be selected by the Management Compensation Committee or the Committee).
 - 7.15 **NYSE.** New York Stock Exchange.
 - 7.16 **Ownership Incentive Award.** The portion of the MIP Award described in Section 4.2.
 - 7.17 **Ownership Incentive Award Percentage.** The applicable Ownership Incentive Award Percentage described in Exhibit B.
 - 7.18 **Performance Incentive Award.** The portion of the MIP Award described in Section 4.1.
 - 7.19 **Performance Incentive Award Target.** The applicable Performance Incentive Award Target described in Exhibit A.
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7.20 Plan Year. Calendar year, January 1 - December 31.

7.21 Retirement. Means (i) attaining or exceeding age 55 with a minimum of 10 years of continuous employment accompanied by the cessation of employment with the Company and all Subsidiaries, (ii) attaining or exceeding age 60 with a minimum of 5 years of continuous employment accompanied by the cessation of employment with the Company and all Subsidiaries, or (iii) “retirement” as determined by the Committee in its sole discretion.

7.22 RPU. Restricted Performance Unit.

EXHIBIT A

CLASSIFICATION	PERFORMANCE INCENTIVE AWARD TARGETS
CEO	200%
Executive Leadership Team	130%
Region Manager	90%
District Manager	85%
Region Staff Manager	75%
District Staff Manager	34% - 60%*
Mid Manager	9% - 34%*
Supervisor	4.5% - 17%*

* Supervisors, Mid Managers and District Staff Managers in select business units or sales management positions may have different Performance Incentive Award Targets within these ranges.

EXHIBIT B

CLASSIFICATION	OWNERSHIP INCENTIVE AWARD PERCENTAGE*
CEO	1.25%
Executive Leadership Team	1.50%
Region Managers	1.75%
District Managers	2.00%
Region Staff Managers	2.25%
District Staff Managers	2.50%
Mid Managers	3.00%
Supervisors	3.50%

*An Ownership Incentive Award may not exceed the Eligible Employee's monthly rate of Base Salary determined as of the MIP Record Date for such Plan Year.

UPS MANAGEMENT INCENTIVE PROGRAM

Amended and Restated Terms and Conditions

January 1, 2023

1. Establishment, Objectives and Duration.

1.1 Establishment of the Program. The Compensation and Human Capital Committee of the Board of Directors of United Parcel Service, Inc. (“Committee”) hereby amends and restates the UPS Management Incentive Program (“MIP”), to provide for Management Incentive Awards to selected Eligible Employees for the 2023 Plan Year and future Plan Years, as applicable, pursuant to the United Parcel Service, Inc. 2021 Omnibus Incentive Compensation Plan, as it may be amended or amended and restated from time to time, including and successor plan (the “ICP”). This document sets forth the rules under which such Management Incentive Awards will be made and administered for Eligible Employees. Unless otherwise defined in this document (in Section 7 or otherwise), capitalized terms shall have the meanings set forth in the ICP.

These terms and conditions shall be effective from the date set forth above and will relate to and govern MIP Awards granted for the 2023 Plan Year and future Plan Years.

1.2 Objectives of the MIP. The objectives of the MIP are to align incentive pay with annual performance. The MIP is also intended to align the interests of certain of the Company’s employees and shareowners by strengthening the link between key business objectives and incentive compensation.

2. Administration.

2.1 Authority of the Committee. The MIP will be administered by the Committee, which shall have the same power and authority to administer the MIP as it does to administer the ICP.

2.2 Delegation. The Committee may (subject to applicable law and the terms of the ICP) delegate its power, authority and duties as identified herein to any committee comprised of members of management of the Company responsible for determining or overseeing compensation for individuals other than Executive Leadership Team members or to the Executive Leadership Team or any members thereof (the “Management Compensation Committee”). The Management Compensation Committee shall have those powers, authority and duties expressly delegated to it herein, including, for example, to make MIP Awards to Eligible Employees who are not Executive Leadership Team Eligible Employees, together with any other powers, authority and duties delegated to it by the Committee.

2.3 Decisions Binding. All decisions of the Committee shall be final, conclusive and binding on all persons, including the Company, its shareowners, any Eligible Employee, and their estates and beneficiaries. Further, all of the decisions of the Management Compensation Committee or any other delegate of the Committee within the scope of the applicable delegation shall be final, conclusive and binding on all persons as if made by the Committee.

3. Eligibility for Awards. Only an Eligible Employee shall be considered for a MIP Award. The Management Compensation Committee shall have broad discretion to determine the eligibility criteria for Eligible Employees other than Executive Leadership Team Eligible Employees. An employee who is eligible for an award under the UPS International Management Incentive Program shall not also be an Eligible Employee under the MIP for the same Plan Year. If an employee (other than an Executive Leadership Team Eligible Employee) could be considered for either the UPS International Management Incentive Program or the MIP in the same Plan Year, the Management Compensation Committee shall have complete discretion to determine which program the employee will participate in, and to make appropriate adjustments for employees (other than Executive Leadership Team Eligible Employees) who transfer from an employment category covered by the UPS International Management Incentive Program to one covered by the MIP during any Plan Year.

4. MIP Awards.

4.1 Performance Objectives.

- 4.1.1 Eligible Employees (other than Executive Leadership Team Eligible Employees).** The MIP Award for each Eligible Employee (other than an Executive Leadership Team Eligible Employee) is determined by multiplying the Eligible Employee's Annualized Salary by the MIP Factor and the Eligible Employee's MIP Award Target as described on Exhibit A. Annualized Salary and the MIP Award Target are determined as of the MIP Record Date for the applicable Plan Year.
- 4.1.2 Business Elements.** The Management Compensation Committee shall have broad discretion to establish the business elements upon which the MIP Factor for a Plan Year will be based and shall establish and communicate those business elements as soon as reasonably practicable each Plan Year.
- 4.1.3 MIP Factor, Award Determination.** The Management Compensation Committee shall have broad discretion to determine the MIP Factor for each Plan Year. Following the end of each Plan Year, the Management Compensation Committee will examine the performance in respect of each business element, will establish the MIP Factor for such Plan Year and will calculate the MIP Award to be paid to each Eligible Employee (other than an Executive Leadership Team Eligible Employee) and will grant the MIP Award to each such Eligible Employee. At the Management Compensation Committee's direction, Eligible Employees will receive written notification of their MIP Awards.
- 4.1.4 Minimum MIP Factor.** Prior to the end of any Plan Year, the Management Compensation Committee may establish a minimum MIP Factor that will result in payment of a minimum MIP Award for each Eligible Employee (other than an Executive Leadership Team Eligible Employee) employed on the MIP Eligibility Date for such Plan Year without regard to the performance in respect of the business elements of such Plan Year. The Management Compensation Committee may communicate any such minimum MIP Factor to the Committee.
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4.1.5 UPS Executive Leadership Team. The Committee must approve and grant the MIP Award for any Executive Leadership Team Eligible Employee.

4.2 Maximum Individual Award. The value of the MIP Award for an Eligible Employee for any calendar year, when added to the value of other cash awards granted to that Eligible Employee under the ICP and earned in the same calendar year, shall not exceed \$10,000,000 (measures as of the date on which such MIP Award for such calendar year is granted, as described in Section 4.1.3).

4.3 Pro-rated Awards. The Management Compensation Committee shall have discretion for making pro-rated MIP Awards to Eligible Employees (other than Executive Leadership Team Eligible Employees) who are actively employed for less than the entire Plan Year. Reasons for proration may include but are not limited to approved leaves of absence (including, but not limited to, disability leave, workers' compensation leave, Family and Medical Leave Act, military leave or personal leave), transfer from full-time management to part-time management status, mid-year hires, temporary assignments, Retirement or death.

5. Payment of Awards.

5.1 Form and Timing. At the election of the Eligible Employee or Executive Leadership Team Eligible Employee, in accordance with Section 5.2.1, the total value of the MIP Award less applicable taxes will be (i) paid in cash or Shares or any combination thereof, or (ii) contributed to a UPS tax-qualified defined contribution plan (subject to the terms and conditions of that plan), in each case no later than March 15 following the Plan Year to which the applicable MIP Award relates.

5.2 Elections With Respect to MIP Award.

5.2.1 Cash, Shares or Qualified Plan. Except as provided in Section 5.2.2, an Eligible Employee (other than an Executive Leadership Team Eligible Employee) may elect in accordance with rules established by the Management Compensation Committee the extent to which the MIP Award is paid in cash, Shares, or contributed to a UPS tax-qualified defined contribution plan (subject to the terms and conditions of that plan). Such election must be made within the period established by the Management Compensation Committee for such elections. Any portion elected to be contributed to a tax-qualified plan that cannot be contributed to that plan because of the limitations on contributions to that plan will be paid to the Eligible Employee or Executive Leadership Team Eligible Employee in cash.

5.2.2 UPS Deferred Compensation Plan. Prior to the beginning of the Plan Year during which a MIP Award is earned, Eligible Employees or Executive Leadership Team Eligible Employees who are eligible to make deferral elections under the UPS Deferred Compensation Plan may elect to defer all or a portion of the MIP Award for such Plan Year in accordance with the terms of the UPS Deferred Compensation Plan. If an Eligible Employee or Executive Leadership Team Eligible Employee dies before the Electable Portion of a MIP Award is paid, any such deferral election shall be null and void and the MIP Award, if any, payable with respect to

such Eligible Employee or Executive Leadership Team Eligible Employee shall be determined in accordance with Section 5.5.

5.3 Vesting.

5.3.1 General. Except as otherwise provided in Section 5.3.2, the MIP Award vests on the MIP Eligibility Date for the Plan Year for which the MIP Award is made, provided the Eligible Employee is employed by the Company or an affiliate on such date. However, the Management Compensation Committee may establish rules that provide for vesting of the MIP Award at other dates or under other circumstances for Eligible Employees who are not Executive Leadership Team Eligible Employees.

5.3.2 Shares. The portion, if any, of the MIP Award payable in Shares will be vested on the date of grant of such Shares.

5.4 Tax Withholding. MIP Awards will be reduced for applicable taxes or the Eligible Employee shall remit taxes in accordance with Article 16 of the ICP.

5.5 Death. Notwithstanding any contrary provision of the MIP and subject to Section 5.4, the following provisions shall apply if an Eligible Employee (other than an Executive Leadership Team Eligible Employee) dies before the MIP Award for a Plan Year is paid.

5.5.1 Death Before MIP Eligibility Date. If an Eligible Employee or Executive Leadership Team Eligible Employee dies during the Plan Year and before the MIP Eligibility Date, a prorated portion of his or her MIP Award for such Plan Year shall be fully vested and payable entirely in cash to his or her estate as soon as practicable and no later than 90 days after the date of death. The MIP Award will be calculated at target for such Eligible Employee's or Executive Leadership Team Eligible Employee's job classification and salary on his or her date of death, and prorated based on his or her number of calendar months of active employment completed in such Plan Year.

5.5.2 Death after MIP Eligibility Date and Before Payment. If an Eligible Employee or Executive Leadership Team Eligible Employee dies after the MIP Eligibility Date and before the MIP Award for a Plan Year is paid, his or her actual MIP Award for such Plan Year shall be paid entirely in cash to his or her estate as soon as practicable and no later than March 15 following the Plan Year to which the applicable MIP Award relates.

6. Miscellaneous.

6.1 Awards Subject to the Terms of the ICP. MIP Awards are subject to the terms of the ICP.

6.2 Section 409A Compliance. Each MIP Award is intended either to be exempt from or to comply with Code § 409A and the 409A Guidance. This document and the ICP shall be administered in a manner consistent with this intent, and any provisions that would cause this document or the ICP to fail to satisfy Code § 409A or the 409A Guidance shall have no further force or effect until amended to comply with or be exempt from Code § 409A and the 409A Guidance (which amendment may be retroactive to the extent permitted by Code § 409A and the

409A Guidance and may be made by the Company without an Eligible Employee's consent). The MIP Award is intended to be exempt from Code § 409A as a short term deferral. To the extent that benefits provided under the MIP constitute deferred compensation for purposes of Code § 409A and the 409A Guidance and to the extent that deferred compensation is payable upon a "separation from service" as defined in Code § 409A, to the extent necessary to comply with Code § 409A and the 409A Guidance, no amount of deferred compensation shall be paid or transferred to the Eligible Employee as a result of the Eligible Employee's separation from service until the date which is the earlier of (i) the first day of the seventh month after the Eligible Employee's separation from service or (ii) the date of the Eligible Employee's death (the "Delay Period").

- 6.3 Severability.** The provisions of the MIP are severable and if any one or more provisions are determined to be illegal or otherwise unenforceable, in whole or in part, the remaining provisions shall nevertheless be binding and enforceable.
- 6.4 Waiver.** Each Eligible Employee acknowledges that a waiver by the Company of breach of any provision of the MIP shall not operate or be construed as a waiver of any other provision of the MIP, or of any subsequent breach by the Eligible Employee or any other participant.
- 6.5 Imposition of Other Requirements.** The Committee reserves the right to impose other requirements on an Eligible Employee's participation in the MIP, on the MIP Award and on any Shares acquired under the ICP, to the extent the Committee determines it is necessary or advisable for legal or administrative reasons, and to require the Eligible Employee to sign any additional agreements or undertakings that may be necessary to accomplish the foregoing.
- 6.6 Amendment and Termination.** The Committee may amend, alter, suspend or terminate the MIP, any Exhibit and any award granted under the MIP at any time subject to the terms of the ICP. Any amendment shall be in writing and approved by the Committee. Subject to the terms of the IPC, the Management Compensation Committee may make administrative amendments to the MIP and the Exhibits from time to time provided that any such amendment shall be reviewed with the Committee and a copy of such amendment kept with the records of the MIP. An administrative amendment does not include any amendment that would materially change the terms and conditions of the MIP that were previously approved by the Committee, including, by way of example, any increase or decrease in the amount of a MIP Award or a MIP Target.
- 6.7 Equitable Adjustments.** The MIP Awards and the number of Shares issuable for each MIP Award (if any) and the other terms and conditions of a MIP Award evidenced by this document are subject to adjustment as provided in Sections 4.5 and 15.2 of the ICP.
- 6.8 Electronic Delivery.** The Company may, in its sole discretion, deliver any documents related to the MIP Awards and an Eligible Employee's participation in the ICP, or future awards that may be granted under the ICP, by electronic means or request an Eligible Employee's consent to participate in the ICP by electronic means. An Eligible Employee hereby consents to receive such documents by electronic delivery and, if requested, agrees to participate in the ICP through an on-line or electronic system established and maintained by the Company or another third party designated by the Company.
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- 6.9 No Right to Future Awards or Employment.** The grant of a MIP Award to an Eligible Employee is a voluntary, discretionary award being made on a one-time basis and it does not constitute a commitment to make any future awards. Nothing contained in this document shall confer upon an Eligible Employee any right to be employed or remain employed by the Company or any of its Subsidiaries, nor limit or affect in any manner the right of the Company or any of its Subsidiaries to terminate an Eligible Employee's employment or adjust an Eligible Employee's compensation.
- 6.10 Acknowledgement.** By accepting the grant of an MIP Award, an Eligible Employee accepts and acknowledges the terms and conditions included in this document. Each Eligible Employee acknowledges that the Eligible Employee (i) has received a copy of the ICP, (ii) has had an opportunity to review the terms of this document and the ICP, (iii) understands the terms and conditions of this document and the ICP and (iv) agrees to such terms and conditions.
- 6.11 Repayment.** Notwithstanding anything in this document to the contrary, each Eligible Employee acknowledges and agrees that this document and the awards described herein (and any settlement thereof) are subject to the terms and conditions of the Company's clawback policy (if any) as may be in effect from time to time, including specifically to implement Section 10D of the Exchange Act and any applicable rules or regulations promulgated thereunder (including applicable rules and regulations of any national securities exchange on which the Stock may be traded) (the "Compensation Recovery Policy"), and that relevant sections of this document shall be deemed superseded by and subject to the terms and conditions of the Compensation Recovery Policy from and after the effective date thereof.

7. Definitions. Except as set forth below, capitalized terms will have the meanings set forth in the ICP.

- 7.1 Annualized Salary.** For each Plan Year, an Eligible Employee's monthly rate of Base Salary determined as of the MIP Record Date multiplied by 12.
- 7.2 Base Salary.** The annual or monthly rate, as applicable, of an Eligible Employee's base salary as determined as of the MIP Record Date of the Plan Year for which the MIP Award is made or, if earlier, the date of death.
- 7.3 Disability.** Disability as defined in the long-term disability plan of the Company or an affiliate under which the Eligible Employee is eligible for coverage or if there is no such plan, disability as determined by the Management Compensation Committee in its discretion for an Eligible Employee who is not a Executive Leadership Team Eligible Employee and by the Committee in its discretion for an Executive Leadership Team Eligible Employee.
- 7.4 Eligible Employee.** For each Plan Year, (i) an Employee (other than an Executive Leadership Team Eligible Employee) who (a) is classified at the supervisor level or above on the MIP Record Date, (b) is continuously employed with the Company or an affiliate through the MIP Eligibility Date, (c) satisfies such other eligibility criteria as may be developed from time to time by the Management Compensation Committee, (d) is recommended by his or her managers and (e) approved by the Management Compensation Committee and (ii) a Executive Leadership Team Eligible Employee.
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- 7.5 Executive Leadership Team Eligible Employee.** For any Plan Year, an Employee who is a member of the UPS Executive Leadership Team as of the MIP Record Date.
- 7.6 Management Incentive Award or MIP Award.** An award granted under the ICP, with terms and conditions as described in this document.
- 7.7 MIP.** The UPS Management Incentive Program, as amended from time to time.
- 7.8 MIP Eligibility Date.** December 31 of the Plan Year (or such other date as may be selected by the Management Compensation Committee).
- 7.9 MIP Factor.** For each Plan Year, the factor (expressed as a percentage) determined by the Management Compensation Committee pursuant to Section 4.1.3. to reflect performance with respect to the business elements identified for the Plan Year.
- 7.10 MIP Record Date.** For each Plan Year, December 1 (or such other date as may be selected by the Management Compensation Committee).
- 7.11 MIP Award Target.** The applicable MIP Award Target described in Exhibit A.
- 7.12 Plan Year.** Calendar year, January 1 - December 31.
- 7.13 Retirement.** Means (i) attaining or exceeding age 55 with a minimum of 10 years of continuous employment accompanied by the cessation of employment with the Company and all Subsidiaries, (ii) attaining or exceeding age 60 with a minimum of 5 years of continuous employment accompanied by the cessation of employment with the Company and all Subsidiaries, or (iii) “retirement” as determined by the Committee in its sole discretion.
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EXHIBIT A

CLASSIFICATION	MIP AWARD TARGETS
CEO	200%
Executive Leadership Team (non-CEO)	115%
Region Manager	70%
District Manager	65%
Region Staff Manager	60%
District Staff Manager	50%*
Mid Manager	20%*
Supervisor	10%*

* Supervisors, Mid Managers and District Staff Managers in select business units or sales management positions may have different MIP Award Targets.

SUBSIDIARIES OF UNITED PARCEL SERVICE, INC.
As of December 31, 2022

<u>Name of Subsidiary</u>	<u>Jurisdiction of Organization</u>
Bomi Holding S.r.l.	Italy
BT Property Holdings, Inc.	Delaware
BT Realty II, Inc.	Maryland
BT Realty, Inc.	Maryland
C.C. & E. I, L.L.C.	Delaware
Coyote Logistics, LLC	Delaware
Coyote Logistics Midco, Inc.	Delaware
Marken Logistics GmbH	Germany
Marken Limited	United Kingdom
Roadie, Inc.	California
The UPS Store, Inc.	Delaware
UPS Asia Group Pte. Ltd.	Singapore
United Parcel Service Canada Ltd.	Canada
United Parcel Service Co.	Delaware
United Parcel Service Czech Republic, s.r.o.	Czechia
United Parcel Service General Services Co.	Delaware
United Parcel Service Italia SRL	Italy
United Parcel Service Netherlands B.V.	Netherlands
United Parcel Service of America, Inc.	Delaware
United Parcel Service LLC & Co. OHG	Germany
United Parcel Service, Inc.	Ohio
UPICO Corporation	Delaware
UPINSCO, Inc.	Georgia
United Parcel Service Deutschland S.à.r.l. & Co. OHG	Germany
UPS Expedited Mail Services, Inc.	Delaware
United Parcel Service France SAS	France
UPS Global Treasury Plc	United Kingdom
UPS Grundstücksverwaltungs GmbH	Germany
UPS Limited	United Kingdom
UPS SCS, Inc.	Canada
UPS Supply Chain Solutions, Inc.	Delaware
UPS Worldwide Forwarding, Inc.	Delaware

The names of particular subsidiaries are omitted pursuant to Item 601(b)(21)(ii) of Regulation S-K.

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in Registration Statement Nos. 333-267664 and 333-112329 on Form S-3 and Registration Statement Nos. 333-224928, 333-208151, 333-206239, 333-181436, 333-70708, 333-61112, and 333-256074 on Form S-8 of our reports dated February 20, 2023, relating to the consolidated financial statements of United Parcel Service, Inc. and subsidiaries (the "Company") and the effectiveness of the Company's internal control over financial reporting appearing in this Annual Report on Form 10-K for the year ended December 31, 2022.

/s/ Deloitte & Touche LLP
Atlanta, Georgia
February 20, 2023

CERTIFICATE OF PRINCIPAL EXECUTIVE OFFICER

I, Carol B. Tomé, certify that:

1. I have reviewed this Annual Report on Form 10-K of United Parcel Service, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ CAROL B. TOMÉ

Carol B. Tomé
Chief Executive Officer
(Principal Executive Officer)

February 20, 2023

CERTIFICATE OF PRINCIPAL FINANCIAL AND ACCOUNTING OFFICER

I, Brian O. Newman, certify that:

1. I have reviewed this Annual Report on Form 10-K of United Parcel Service, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ BRIAN O. NEWMAN

Brian O. Newman
Executive Vice President and Chief Financial Officer
(Principal Financial and Accounting Officer)

February 20, 2023

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906 OF THE
SARBANES-OXLEY ACT OF 2002**

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and in connection with the Annual Report on Form 10-K of United Parcel Service, Inc. (the "Corporation") for the year ended December 31, 2022, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned, the Chief Executive Officer of the Corporation, certifies that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Corporation.

/s/ CAROL B. TOMÉ

Carol B. Tomé
Chief Executive Officer
(Principal Executive Officer)

February 20, 2023

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906 OF THE
SARBANES-OXLEY ACT OF 2002**

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and in connection with the Annual Report on Form 10-K of United Parcel Service, Inc. (the "Corporation") for the year ended December 31, 2022, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned, the Executive Vice President and Chief Financial Officer of the Corporation, certifies that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Corporation.

/s/ BRIAN O. NEWMAN

Brian O. Newman
Executive Vice President and Chief Financial Officer
(Principal Financial and Accounting Officer)

February 20, 2023