

UNITED PARCEL SERVICE INC  
Form DEF 14A  
March 17, 2014

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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

**SCHEDULE 14A INFORMATION**

Proxy Statement Pursuant to Section 14(a) of  
the Securities Exchange Act of 1934 (Amendment No. )

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material under §240.14a-12

**United Parcel Service, Inc.**

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(Name of Registrant as Specified In Its Charter)

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(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

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- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.
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# **Notice of 2014 Annual Meeting of Shareowners and Proxy Statement**

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55 Glenlake Parkway, N.E., Atlanta, Georgia 30328

Notice of Annual Meeting of Shareowners

**May 8, 2014**

To our Shareowners:

United Parcel Service, Inc.'s annual meeting of shareowners will be held at the Hotel du Pont, 11th and Market Streets, Wilmington, Delaware 19801, on Thursday, May 8, 2014, at 8:00 a.m. The purposes of the meeting are:

1. To elect 13 directors nominated by the board of directors and named in the proxy statement to serve until our 2015 annual meeting of shareowners and until their respective successors are elected and qualified;
2. To conduct an advisory vote to approve executive compensation, often referred to as a "say on pay";
3. To ratify the appointment of Deloitte & Touche LLP as our independent registered public accounting firm for the year ending December 31, 2014;
4. To vote on two shareowner proposals described in the proxy statement, if properly presented at the meeting; and
5. To transact any other business as may properly come before the meeting.

Our board of directors has fixed the close of business on March 10, 2014 as the record date for determining holders of our common stock entitled to notice of, and to vote at, the annual meeting.

Teri P. McClure  
*Secretary*

Atlanta, Georgia  
March 17, 2014

**Your vote is important. Please vote as soon as possible by using the Internet or by telephone or, if you received a paper copy of the proxy card by mail, by signing and returning the proxy card. Instructions for your voting options are described on the Notice of Internet Availability of Proxy Materials or proxy card.**

**Important Notice Regarding the Availability of Proxy Materials for the Shareowner Meeting to be Held on May 8, 2014. The proxy statement and annual report are available at [www.proxyvote.com](http://www.proxyvote.com).**

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UNITED PARCEL SERVICE, INC.

55 Glenlake Parkway, N.E., Atlanta, Georgia 30328

*This summary highlights information contained elsewhere in this proxy statement. This summary does not contain all of the information that you should consider, and you should read the entire proxy statement carefully before voting.*

**UPS 2014 Annual Meeting Information**

*Date and Time:* May 8, 2014, at 8:00 a.m. Eastern Time.

*Place:* Hotel du Pont, 11th and Market Streets, Wilmington, Delaware 19801.

*Record Date:* March 10, 2014.

*Voting:* Holders of class A common stock are entitled to ten votes per share; holders of class B common stock are entitled to one vote per share.

*Admission:* To attend the meeting in person you will need proof of your share ownership as of the record date and a form of government-issued photo identification.

**Items of Business**

	<b>Board Vote Recommendation</b>	<b>Page Reference (for more information)</b>
<b>Company Proposals:</b>		
1. Elect 13 directors named in this proxy statement	FOR ALL	65
2. Advisory vote to approve executive compensation	FOR	66
3. Ratify the appointment of our independent registered public accounting firm	FOR	68
<b>Shareowner Proposals:</b>		
4. Vote on a shareowner proposal on lobbying disclosure, if properly presented at the meeting	AGAINST	69

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5.	Vote on a shareowner proposal to reduce the voting power of class A stock from 10 votes per share to one vote per share, if properly presented at the meeting	AGAINST	72
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The board of directors of United Parcel Service, Inc. ("we," "our," "us," the "Company," or "UPS") is asking you to elect the 13 nominees for director. The table below provides summary information about the 13 director nominees. A nominee will only be elected if the number of votes cast for the nominee's election is greater than the number of votes cast against that nominee. For more information about the nominees, including information about the qualifications, attributes and skills of the nominees, see page 11.

<b>Name</b>	<b>Age</b>	<b>Director Since</b>	<b>Occupation</b>
<b>Independent Directors</b>			
F. Duane Ackerman	71	2007	Former Chairman and Chief Executive Officer, BellSouth Corporation
Rodney C. Adkins	55	2013	Senior Vice President of Corporate Strategy, International Business Machines
Michael J. Burns	62	2005	Former Chairman, Chief Executive Officer and President, Dana Corporation
Stuart E. Eizenstat	71	2005	Senior Counsel, Covington & Burling LLP
William R. Johnson	65	2009	Former Chairman, President and Chief Executive Officer, H.J. Heinz Company
Candace Kendle	67	2011	Co-founder and Former Chairman and Chief Executive Officer, Kendle International Inc.
Ann M. Livermore	55	1997	Director and Former Executive Vice President, Hewlett-Packard Company
Rudy H.P. Markham	68	2007	Former Financial Director, Unilever PLC and Unilever NV
Clark T. Randt, Jr.	68	2010	Former U.S. Ambassador to the People's Republic of China
Carol B. Tomé	57	2003	Chief Financial Officer and Executive Vice President - Corporate Services, The Home Depot, Inc.
Kevin M. Warsh	43	2012	Former Member of the Board of Governors of the Federal Reserve System, Distinguished Visiting Fellow, Hoover Institution, Stanford University
<b>Non-Independent Directors</b>			
D. Scott Davis	62	2006	Chairman and Chief Executive Officer, United Parcel Service, Inc.
Michael L. Eskew	64	1998	Former Chairman and Chief Executive Officer, United Parcel Service, Inc.

**Advisory Vote to Approve Executive Compensation**

The board is asking you to approve, on an advisory basis, the compensation of our Named Executive Officers. We believe that our compensation programs encourage executive decision making that is aligned with the long-term interests of our shareowners by tying a significant portion of pay to company performance over a multi-year period and by promoting our long-standing owner-manager culture. Our compensation programs are designed to emphasize strong annual performance and foster long-term operational performance and success. For more information, see page 66.

Table of Contents**Ratification of the Appointment of the Independent Registered Public Accounting Firm**

The board is asking you to ratify the selection of Deloitte & Touche LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2014. Set forth below is summary information with respect to the fees billed for services provided to us during the fiscal years ended December 31, 2013 and 2012. For more information, see page 63.

	<b>2013</b>	<b>2012</b>
<b>Fees Billed:</b>		
Audit Fees	\$ 13,345,000	\$ 12,426,000
Audit-Related Fees	1,060,000	970,000
Tax Fees	1,279,000	1,017,000
<b>Total</b>	<b>\$ 15,684,000</b>	<b>\$ 14,413,000</b>

**Vote on two Shareowner Proposals**

The board is asking you to vote AGAINST two shareowner proposals. For more information about the proposals, see pages 69 to 73.

**2013 Key Compensation Decisions**

Our Named Executive Officers are compensated in a manner consistent with our strategy, competitive practice, sound compensation governance principles and shareowner interests.

Key compensation decisions for the Named Executive Officers for 2013 include the following:

Most of the total direct compensation to our NEOs is performance based and at risk based on company performance (89% for the CEO and 86% for all NEOs).

Base salaries of the NEOs were increased by an average of 3.6%; the base salary of the CEO was increased by 3.0%.

2013 annual incentive awards for the NEOs under the Management Incentive Program ("MIP") were earned at 75% of target. 2013 MIP ownership incentive awards equal to one month's salary were earned by the NEOs.

2013 Long-Term Incentive Performance ("LTIP") award tranches were earned at 85% of target based on revenue growth and operating return on invested capital, while the 2013 earnings measurement tranche for the 2011 LTIP award was not earned.

For more information, see page 34.



Table of Contents**2013 Compensation Summary**

The following table summarizes the compensation of our Chief Executive Officer, Chief Financial Officer and our next three most highly compensated executive officers, to whom we refer collectively as the Named Executive Officers, for fiscal year 2013. Total compensation for the Chief Executive Officer and three of the Named Executive Officers decreased in 2013 as compared to 2012. For more information, see page 48.

Name	Salary(\$)	Stock Awards(\$)	Option Awards(\$)	Non-Equity Change		All Other Compensation(\$)	2013 Total(\$)	2012 Total(\$)
				Plan Compensation(\$)	in Pension Value(\$)			
D. Scott Davis	1,079,913	8,272,663	475,277	465,877	0	41,935	10,335,665	12,147,349
David P. Abney	499,494	3,240,051	146,550	172,738	0	18,412	4,077,245	5,332,672
Kurt P. Kuehn	475,137	1,949,848	137,395	162,193	0	29,339	2,753,912	3,425,392
David A. Barnes	454,347	1,409,536	132,346	156,103	0	16,231	2,168,563	3,126,529
John J. McDevitt	453,594	1,441,607	133,089	156,864	2,034,460	21,676	4,241,290	2,578,695

**2015 Annual Meeting**

Shareowner proposals submitted pursuant to SEC Rule 14a-8 for inclusion in the proxy statement for our annual meeting of shareowners expected to be held in May 2015 must be received by us by close of business on November 17, 2014.

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This proxy statement and proxy card are furnished in connection with the solicitation of proxies to be voted at our annual meeting of shareowners, which will be held at the Hotel du Pont, 11th and Market Streets, Wilmington, Delaware 19801, on May 8, 2014, at 8:00 a.m. On March 17, 2014, we began mailing to shareowners of record either a Notice of Internet Availability of Proxy Materials ("Notice") or this proxy statement and proxy card.

***Why am I receiving this proxy statement and proxy card?***

You have received these proxy materials because our board of directors is soliciting your proxy to vote your shares at the annual meeting. This proxy statement describes issues on which we would like you to vote at our annual meeting of shareowners. It also gives you information on these issues so that you can make an informed decision.

Our board of directors has made this proxy statement and proxy card available to you on the Internet because you own shares of United Parcel Service, Inc. common stock, in addition to delivering printed versions of this proxy statement and proxy card to certain shareowners by mail.

When you vote by using the Internet or (if you received your proxy card by mail) vote by telephone or by signing and returning the proxy card, you appoint D. Scott Davis and Teri P. McClure (with full power of substitution) as your representatives at the annual meeting. They will vote your shares at the annual meeting as you have instructed them or, if an issue that is not on the proxy card comes up for vote, in accordance with their best judgment. This way, your shares will be voted whether or not you attend the annual meeting. Even if you plan to attend the annual meeting, we encourage you to vote in advance by using the Internet or (if you received your proxy card by mail) by telephone or by signing and returning your proxy card. If you vote by Internet or telephone, you do not need to return your proxy card.

***Why did I receive a Notice of Internet Availability of Proxy Materials in the mail instead of a printed set of proxy materials?***

Pursuant to rules adopted by the Securities and Exchange Commission, we are permitted to furnish our proxy materials over the Internet to our shareowners by delivering a Notice in the mail. We are sending the Notice to certain record shareowners. If you received a Notice by mail, you will not receive a printed copy of the proxy materials in the mail. Instead, the Notice instructs you on how to access and review the proxy statement and annual report over the Internet at [www.proxyvote.com](http://www.proxyvote.com). The Notice also instructs you on how you may submit your proxy over the Internet. If you received a Notice by mail and would like to receive a printed copy of our proxy materials, you should follow the instructions for requesting these materials contained in the Notice.

Shareowners who receive a printed set of proxy materials will not receive the Notice, but may still access our proxy materials and submit their proxies over the Internet at [www.proxyvote.com](http://www.proxyvote.com).

***Who is entitled to vote?***

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Holders of our class A common stock and our class B common stock at the close of business on March 10, 2014 are entitled to vote. March 10, 2014 is referred to as the Record Date.

In accordance with Delaware law, a list of shareowners entitled to vote at the meeting will be available in electronic form at the place of the annual meeting on May 8, 2014 and will be accessible in electronic form for ten days prior to the meeting at our principal place of business, 55 Glenlake Parkway, N.E., Atlanta, Georgia 30328,

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and at the offices of Morris, Nichols, Arsht & Tunnell, 1201 North Market Street, Wilmington, Delaware 19899, between the hours of 9:00 a.m. and 5:00 p.m.

***To how many votes is each share of common stock entitled?***

Holders of class A common stock are entitled to ten votes per share. Holders of class B common stock are entitled to one vote per share. On the Record Date, there were 209,810,663 shares of our class A common stock and 709,531,224 shares of our class B common stock outstanding and entitled to vote.

The voting rights of any shareowner or shareowners as a group, other than any of our employee benefit plans, who beneficially own shares representing more than 25% of our voting power are limited so that the shareowner or group may cast only one one-hundredth of a vote with respect to each vote in excess of 25% of the outstanding voting power.

***How do I vote?***

Shareowners of record may vote by using the Internet, by telephone or (if you received a proxy card by mail) by mail as described below. Shareowners also may attend the meeting and vote in person. If you hold class B shares through a bank or broker, please refer to your proxy card, Notice or other information forwarded by your bank or broker to see which voting options are available to you.

*You may vote by using the Internet.* The address of the website for Internet voting is [www.proxyvote.com](http://www.proxyvote.com). Internet voting is available 24 hours a day and will be accessible until 11:59 p.m. Eastern Time on May 7, 2014. Easy-to-follow instructions allow you to vote your shares and confirm that your instructions have been properly recorded.

*You may vote by telephone.* If you received a proxy card by mail, the toll-free telephone number is noted on your proxy card. Telephone voting is available 24 hours a day and will be accessible until 11:59 p.m. Eastern Time on May 7, 2014. Easy-to-follow voice prompts allow you to vote your shares and confirm that your instructions have been properly recorded.

*You may vote by mail.* If you received a proxy card by mail and choose to vote by mail, simply mark your proxy card, date and sign it, and return it in the postage-paid envelope.

The method you use to vote will not limit your right to vote at the annual meeting if you decide to attend in person. Written ballots will be passed out to anyone who wants to vote at the annual meeting. If you hold your shares in "street name," you must obtain a proxy, executed in your favor, from the holder of record to be able to vote in person at the annual meeting.

***What if I change my mind after I return my proxy?***

Shareowners of record may revoke their proxy and change their vote at any time before the polls close at the annual meeting by:

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submitting a subsequent proxy by using the Internet, by telephone or by mail with a later date;

sending written notice of revocation to our Corporate Secretary at 55 Glenlake Parkway, N.E., Atlanta, Georgia 30328; or

voting in person at the annual meeting.

If you hold class B shares through a bank or broker, please refer to your proxy card, Notice or other information forwarded by your bank or broker to see how you can revoke your proxy and change your vote.

Attendance at the meeting will not by itself revoke a proxy.

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***How many votes do you need to hold the annual meeting?***

The presence, in person or by proxy, of the holders of a majority of the votes entitled to be cast at the annual meeting will constitute a quorum. If a quorum is present, we can hold the annual meeting and conduct business.

***On what items am I voting?***

You are being asked to vote on the following items:

the election of 13 directors nominated by the board of directors and named in the proxy statement to serve until our 2015 annual meeting of shareowners and until their successors are elected and qualified;

the approval, on an advisory basis, of the executive compensation of the Named Executive Officers as disclosed in this proxy statement;

the appointment of Deloitte & Touche LLP as our independent registered public accounting firm for the year ending December 31, 2014; and

two shareowner proposals, if properly presented at the meeting.

No cumulative voting rights are authorized, and dissenters' rights are not applicable to these matters.

***How does the board of directors recommend that I vote?***

The board recommends that you vote as follows:

FOR all 13 director nominees;

FOR the approval, on an advisory basis, of executive compensation;

FOR the ratification of the appointment of our independent registered public accounting firm; and

AGAINST each of the shareowner proposals.

*How may I vote in the election of directors, and what is the voting standard?*

With respect to the election of directors, you may:

vote FOR the 13 nominees for director;

vote AGAINST the 13 nominees for director;

vote FOR certain of the nominees for director and AGAINST certain of the nominees for director; or

ABSTAIN from voting on one or more of the nominees for director.

The UPS Amended and Restated Bylaws (the "Bylaws") provide for majority voting in uncontested director elections.

**The board recommends that you vote FOR each of the 13 nominees for director.**

*What happens if a nominee is unable to stand for election?*

If a nominee is unable to stand for election, the board may either:

reduce the number of directors that serve on the board; or

designate a substitute nominee.

If the board designates a substitute nominee, shares represented by proxies voted for the nominee who is unable to stand for election will be voted for the substitute nominee.

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***How may I vote for the proposal to approve, on an advisory basis, the executive compensation of the Named Executive Officers as disclosed in this proxy statement?***

With respect to this proposal, you may:

vote FOR the approval, on an advisory basis, of executive compensation;

vote AGAINST the approval, on an advisory basis, of executive compensation; or

ABSTAIN from voting on the proposal.

**The board recommends that you vote FOR the approval of executive compensation.**

***How may I vote for the proposal to ratify the appointment of our independent registered public accounting firm?***

With respect to this proposal, you may:

vote FOR the ratification of the accounting firm;

vote AGAINST the ratification of the accounting firm; or

ABSTAIN from voting on the proposal.

**The board recommends that you vote FOR the ratification of the appointment of our independent registered public accounting firm.**

***How may I vote for the shareowner proposals?***

With respect to each shareowner proposal, you may:

vote FOR the proposal;

vote AGAINST the proposal; or

ABSTAIN from voting on the proposal.

**The board recommends that you vote AGAINST each of the shareowner proposals.**

***Will my shares be voted if I do not vote by using the Internet, by telephone or by signing and returning my proxy card?***

If you are a shareowner of record of class A shares or class B shares and you do not vote by using the Internet or (if you received a proxy card by mail) by telephone or by signing and returning your proxy card, then your shares will not be voted and will not count in deciding the matters presented for shareowner consideration at the annual meeting.

If your class A shares are held pursuant to the UPS Stock Fund in the UPS 401(k) Savings Plan and you do not vote by using the Internet, by telephone or by signing and returning your proxy card, the trustee will vote your shares for each proposal in the same proportion as the shares held pursuant to that plan for which voting instructions were received.

If your class B shares are held in street name through a bank or broker, your bank or broker may vote your class B shares under certain limited circumstances if you do not provide voting instructions before the annual meeting, in accordance with NYSE rules that govern the banks and brokers. These circumstances include voting your shares on "routine matters," such as the ratification of the appointment of our independent registered public accounting firm described in this proxy statement. With respect to this proposal, therefore, if you do not vote your shares, your bank or broker may vote your shares on your behalf or leave your shares unvoted.

The remaining proposals are not considered routine matters under NYSE rules relating to voting by banks and brokers. When a proposal is not a routine matter and the brokerage firm has not received voting instructions from the beneficial owner of the shares with respect to that proposal, the brokerage firm cannot vote the shares on that proposal. This approach to uninstructed shares is called a "broker non-vote." Broker non-votes that are represented at the annual meeting will be counted for purposes of establishing a quorum, but

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not for determining the number of shares voted for or against the non-routine matter.

We encourage you to provide instructions to your bank or brokerage firm by voting your proxy so that your shares will be voted at the meeting in accordance with your wishes.

***What is the vote required for each proposal to pass, and what is the effect of abstentions and uninstructed shares on the proposals?***

For the election of directors, a nominee will only be elected if the number of votes cast for the nominee's election is greater than the number of votes cast against that nominee. Abstentions are not considered votes cast for or against the nominee under a majority voting standard. For each other proposal to pass, in accordance with our Bylaws, the proposal must receive the affirmative vote of a majority of the voting power of the shares present in person or by proxy at the annual meeting and entitled to vote. The following table summarizes the board's recommendation on each proposal, the vote required for each proposal to pass and the effect of abstentions and uninstructed shares on each proposal.

<b>Proposal Number</b>	<b>Item</b>	<b>Board Voting Recommendation</b>	<b>Votes Required for Approval</b>	<b>Abstentions</b>	<b>Uninstructed shares</b>
1.	Election of 13 directors	FOR	Majority of votes cast	No effect	No effect
2.	Advisory approval of executive compensation	FOR	Majority of the voting power of the shares present in person or by proxy and entitled to vote	Count as votes against	No effect
3.	Ratification of independent registered public accounting firm	FOR	Majority of the voting power of the shares present in person or by proxy and entitled to vote	Count as votes against	Discretionary voting by broker permitted
4 - 5.	Shareowner proposals	AGAINST	Majority of the voting power of the shares present in person or by proxy and entitled to vote	Count as votes against	No effect

***What happens if I sign and return my proxy card but do not provide voting instructions?***

If you return a signed card but do not provide voting instructions, your shares will be voted as follows:

FOR all 13 director nominees;

FOR the approval, on an advisory basis, of executive compensation;

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FOR the ratification of the appointment of our independent registered public accounting firm; and

AGAINST each of the shareowner proposals.

***What do I need to show to attend the annual meeting in person?***

You will need proof of your share ownership (such as a recent brokerage statement or letter

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from your broker showing that you owned shares of United Parcel Service, Inc. common stock as of the Record Date) and a form of government-issued photo identification. If you do not have proof of ownership and valid photo identification, you may not be admitted to the annual meeting. All bags, briefcases and packages will be held at registration and will not be allowed in the meeting.

***Can I receive future proxy materials and annual reports electronically?***

Yes. This proxy statement and the 2013 Annual Report to Shareowners are available on our investor relations website located at [www.investors.ups.com](http://www.investors.ups.com). Instead of receiving a Notice or paper copies of the proxy materials in the mail, shareowners can elect to receive an email that provides a link to our future annual reports and proxy materials on the Internet. Opting to receive your proxy materials electronically will save us the cost of producing and mailing documents to your home or business, will reduce the environmental impact of our annual meetings, and will give you an automatic link to the proxy voting site.

If you are a shareowner of record and wish to enroll in the electronic proxy delivery service for future meetings, you may do so by going to [www.icsdelivery.com/ups](http://www.icsdelivery.com/ups) and following the prompts.

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We currently have 13 members that make up our board of directors. All directors are elected annually to serve until the next annual meeting and until their respective successors are elected and qualified.

Rodney Adkins was first appointed to the board in June 2013. He was recommended as a candidate for director by one of our non-management directors. The remaining 12 directors have served since our last annual meeting.

All the members of our board have been nominated for reelection at this annual meeting. See "Proposal 1 Election of Directors" on page 65.

Biographical information about the 13 nominees for director and the experience, qualifications, attributes and skills considered by our Nominating and Corporate Governance Committee and board in determining that the nominee should serve as a director appears below. For additional information about how we identify and evaluate nominees for director, see "Governance of our Company Selecting Nominees for Director" on page 18.

F. Duane Ackerman, Age 71  
*Former Chairman and Chief Executive Officer, BellSouth Corporation*

Director since 2007

Compensation Committee Member

Chair of the Nominating and Corporate Governance Committee

Duane previously served as President and Chief Executive Officer of BellSouth Corporation, a telecommunications company, from 1997 to 2006. He served as Chairman of the board of directors from 1998 to 2006 and as Vice Chairman and Chief Operating Officer from 1995 to 1997. He is also a director at Allstate Corporation and The Home Depot, Inc.

During Duane's tenure at BellSouth he gained broad experience in managing a large, complex, labor-intensive business in a highly regulated industry. Duane has experience with collective bargaining arrangements and extensive knowledge in operations and communications technology. He has served as a director of other large, complex public companies, and served as the CEO of a publicly traded company for nearly a decade.





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Rodney C. Adkins, Age 55  
*Senior Vice President of Corporate Strategy, International Business Machines*

Director since 2013

Audit Committee Member

Rod has served as IBM's Senior Vice President of Corporate Strategy since 2013. Rod was previously Senior Vice President, Systems and Technology Group, a position he held since 2009, and senior vice president of STG development and manufacturing, a position he held since 2007. In his over 30-year career with IBM, Rod has held a number of other development and management roles, including general management positions for the PC Company, UNIX Systems and Pervasive Computing.

As a senior executive of a public technology company, Rod gained a broad range of experience, including experience in emerging technologies and services, global business operations, and supply chain management. He is a recognized leader in technology and technology strategy.

Michael J. Burns, Age 62  
*Former Chairman, Chief Executive Officer and President, Dana Corporation*

Director since 2005

Audit Committee Member

Michael was the Chairman, Chief Executive Officer and President of Dana Corporation from 2004 until 2008. He joined Dana Corporation in 2004 after 34 years with General Motors Corporation. Michael had served as President of General Motors Europe since 1998.

Michael has years of senior leadership experience gained while managing large, complex businesses and leading an international organization that operated in a highly competitive industry. He also has experience in design, engineering, manufacturing, and sales and distribution. Michael also brings deep knowledge of

technology and the supply of components and services to major vehicle manufacturers.

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D. Scott Davis, Age 62  
*UPS Chairman and Chief Executive Officer*

Director since 2006

Scott has served as UPS's Chairman and Chief Executive Officer since 2008. Scott was appointed Vice Chairman in 2006 and served as Chief Financial Officer and Treasurer from 2001 until 2008. From late 1998 to early 2000, he served as chief executive officer of Overseas Partners, Ltd., a Bermuda reinsurance company. Scott rejoined UPS as its vice president of finance in 2000. From 1991 until 1998, Scott held various leadership positions, primarily in the finance and accounting areas. Scott joined UPS in 1986 when the company acquired an Oregon technology company, II Morrow, where he had served as the chief financial officer and then chief executive officer. He also serves as a director of Honeywell International Inc. and EndoChoice, Inc.

Scott has a unique understanding of our strategies and operations gained through his over 25 years of service to our Company, a complex, global business enterprise with a large, labor-intensive workforce. He has significant experience in financial management, including experience gained during his tenure as Chairman of the Board of the Federal Reserve Bank of Atlanta. In addition, Scott has experience serving as a director of Honeywell, a large, global business.

Stuart E. Eizenstat, Age 71  
*Senior Counsel, Covington & Burling LLP*

Director since 2005

Compensation Committee Member

Nominating and Corporate Governance Committee Member

Stuart is Senior Counsel of Covington & Burling LLP in Washington, D.C., and heads the law firm's international practice. He served as Deputy Secretary of the United States Department of the Treasury from July 1999 to January 2001. He was Under Secretary of State for Economic, Business and Agricultural

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Affairs from 1997 to 1999. Stuart served as Under Secretary of Commerce for International Trade from 1996 to 1997 and was Ambassador to the European Union from 1993 to 1996. From 1977 to 1981 he was Chief Domestic Policy Advisor in the White House to President Carter. He is a trustee of Black Rock Funds, a member of the board of directors of Alcatel-Lucent and Globe Specialty Metals, and serves on the International Advisory Board of GML Ltd. and Office of Cherifien de Phosphates. He has received eight honorary doctorate degrees.

Stuart has significant experience in international trade and global economic matters as a result of a decade and a half of service at senior levels of several U.S. administrations, where among other responsibilities, he was charged with advising on international economic policy, promoting U.S. exports, assisting American business efforts abroad, enforcing laws against unfair trade practices, developing trade policy and making financial and budgetary decisions. He has also served as an advisor on international matters to large, multi-national corporations. He brings the experience of leading the international practice of a major law firm and also brings insight on environmental issues through his continuing work on climate change issues.

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Michael L. Eskew, Age 64  
*Former UPS Chairman and Chief Executive Officer*

Director since 1998

Mike served as Chairman and Chief Executive Officer from 2002 until 2008. He was appointed Executive Vice President in 1999 and Vice Chairman in 2000. In 1994, Mike was named UPS's Corporate Vice President for Industrial Engineering. Two years later he became Group Vice President for Engineering. Mike joined UPS in 1972. Mike also serves as a director of 3M Company, International Business Machines and Eli Lilly and Company.

Mike has acquired significant knowledge and understanding of our business and operations over his 35 years with UPS, a complex, global business enterprise with a large, labor intensive workforce. He has experience in engineering, operations and labor issues. Mike also has experience serving as a director of a number of other large public companies with complex global operations.

William R. Johnson, Age 65  
*Former Chairman, President and Chief Executive Officer of H.J. Heinz Company*

Director since 2009

Nominating and Corporate Governance Committee Member

Bill served as Chairman, President and Chief Executive Officer of the H.J. Heinz Company, a global packaged foods manufacturer, from 2000 until his retirement in 2013. He became President and Chief Operating Officer of Heinz in 1996, and assumed the position of President and Chief Executive Officer in 1998. Bill also serves on the board of directors of Emerson Electric Company and the Education Management Company.

Bill has significant experience gained through over 13 years of service as the Chairman and Chief Executive Officer of H.J. Heinz, a corporation with significant international operations and a large, labor intensive workforce. He also has deep experience in operations, marketing, brand development and logistics.



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Candace Kendle, Age 67  
*Co-founder and Former Chairman and Chief Executive Officer of Kendle International, Inc.*

Director since 2011

Audit Committee Member

Candace is the co-founder and was, until 2011, Chairman and Chief Executive Officer of Kendle International Inc., a global clinical research organization. Prior to founding Kendle International, she earned a doctorate in pharmacy from the University of Cincinnati and has held senior faculty positions at the University of North Carolina Schools of Pharmacy and Medicine; the University of Pennsylvania School of Medicine; the Philadelphia College of Pharmacy and Science; and the University of Cincinnati College of Pharmacy. Candace serves on the board of directors of Emerson Electric Company.

During her tenure as Chairman and Chief Executive Officer of Kendle International, Candace gained insight and experience in executing strategic acquisitions, expansions into new markets, and product development. She also brings deep knowledge of the pharmaceutical industry as a result of her doctorate and post-doctorate work, her many years of experience as a professor and her many years of experience in the practical application of her clinical and pharmaceutical knowledge.

Ann M. Livermore, Age 55  
*Director and Former Executive Vice President, Hewlett Packard Company*

Director since 1997

Chair of the Compensation Committee

Ann serves as a director of the Hewlett Packard Company, after retiring as an executive of the company in 2011. In her last operational role at HP, Ann was Executive Vice President of the HP Enterprise Business. Ann joined HP in 1982 and has held a variety of management positions in marketing, sales, research and development, and business management before being elected a corporate vice president in 1995.



Ann has extensive experience in senior leadership positions at HP, one of the world's largest information technology companies. This experience includes leading a complex global business organization with a large workforce. Through her 29 years at HP, she has gained knowledge and experience in the areas of technology, marketing, sales, research and development and business management.

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Rudy H.P. Markham, Age 68  
*Former Financial Director, Unilever*

Director since 2007

Audit Committee Member

Rudy was the Financial Director of Unilever from 2000 through 2007. He joined Unilever in 1968 and from 1989 through 1998 was based in East Asia where he held a series of increasing responsibilities, ultimately serving as Business Group President North East Asia based in Singapore. Rudy joined the board of Unilever as Strategy and Technology Director, became a member of its Executive Committee in 1998 and was subsequently appointed as Financial Director. In 2007, he retired from the board of Unilever and as Chief Financial Officer. Rudy is a non-executive director of Legal & General Group PLC, Standard Chartered PLC and AstraZeneca PLC. He is chairman of the supervisory board of Corbion, N.V., formerly CSM, N.V.

Rudy has significant experience in finance, technology and international operations that he gained through his almost 40 years of service at Unilever, one of the world's largest consumer goods companies. Rudy also has insight into the operations of an organization with a large, global workforce, and has a unique insight into operations based in Asia. Rudy's experience also includes service as a director of other Europe based global public companies.

Clark T. "Sandy" Randt, Jr., Age 68  
*Former U.S. Ambassador to the People's Republic of China*

Director since 2010

Nominating and Corporate Governance Committee Member

Sandy is a former U.S. ambassador to the People's Republic of China, where he served from 2001 until 2009. From 1994 through 2002, he was a partner resident in the Hong Kong office of Shearman & Sterling, a major international law firm, where he headed the firm's China practice. From 1982 through 1984, Sandy

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served as First Secretary and Commercial Attaché at the U.S. Embassy in Beijing. In 1974, he was the China representative of the National Council for United States-China Trade, and from 1968 to 1972, he served in the U.S. Air Force Security Service. Currently, Sandy is president of Randt & Co. LLC, a company that advises firms with interests in China. Sandy also serves on the boards of Valmont Industries, Inc. and Qualcomm Incorporated.

Sandy has substantial experience in Asia and in facilitating business throughout Asia. He is recognized as one of America's foremost authorities on China, and has more than 30 years of direct experience in Asia. He brings to the board experience in diplomacy and international trade. He has experience as an advisor on international matters to large, multi-national corporations, and brings the experience of leading the China practice of a major international law firm.

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Carol B. Tomé, Age 57  
*Chief Financial Officer and Executive Vice President Corporate Services, The Home Depot, Inc.*

Director since 2003

Chair of the Audit Committee

Carol has been Executive Vice President and Chief Financial Officer of The Home Depot, Inc., one of the world's largest retailers, since 2001. In 2007 Carol assumed the additional role of Executive Vice President Corporate Services. Prior to that, she had been Senior Vice President Finance and Accounting/Treasurer since 2000. From 1995 until 2000, she served as Vice President and Treasurer.

Carol has extensive experience in corporate finance gained throughout her career at Home Depot. She brings the experience of currently serving as chief financial officer of a complex, multi-national business with a large, labor intensive workforce. Carol's past role as Chair of the Board of the Federal Reserve Bank of Atlanta also brings a valuable financial experience.

Kevin M. Warsh, Age 43  
*Former Member of the Board of Governors of the Federal Reserve System, Distinguished Visiting Fellow, Hoover Institution, Stanford University*

Director since 2012

Compensation Committee Member

Kevin was a member of the Board of Governors of the Federal Reserve from 2006 until 2011. He currently serves as a distinguished visiting fellow at Stanford University's Hoover Institution and a lecturer at its Graduate School of Business. In addition, Kevin provides strategic consulting and advisory services to a range of businesses. From 2002 until 2006 Kevin served at the White House as President George W. Bush's special assistant for economic policy and as executive secretary of the National Economic Council. Kevin was previously employed by Morgan Stanley & Co. in New York, becoming vice president and executive director of the company's Mergers and Acquisitions Department.

Kevin has extensive experience in understanding and analyzing the economic environment, the financial marketplace and monetary policy. He has a deep understanding of the economic and business environment throughout Asia. Kevin also brings the experience of working in the private sector for a leading investment bank gained during his tenure at Morgan Stanley & Co.

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The following sections provide an overview of our corporate governance structure and processes. Among other topics, we describe how we select directors, how we consider the independence of our directors and key aspects of our board operations.

## Selecting Nominees for Director

Our board has delegated to the Nominating and Corporate Governance Committee the responsibility for reviewing and recommending to the board nominees for director. In accordance with our Corporate Governance Guidelines, the Nominating and Corporate Governance Committee, in evaluating director candidates, considers factors such as personal character, values and disciplines, ethical standards, diversity, other outside commitments, and professional background and skills, all in the context of an assessment of the needs of the board at the time. In addition, each director candidate is expected to ensure that other existing and planned future commitments will not materially interfere with his or her responsibilities as a director.

The Nominating and Corporate Governance Committee's objective is to maintain a board of individuals of the highest personal character, integrity and ethical standards, and that reflects a range of professional backgrounds and skills relevant to our business. For each of the nominees to the board, the biographies shown above highlight the experiences and qualifications that were among the most important to the Nominating and Corporate Governance Committee and the board in concluding that the nominee should serve as a director of the Company.

The Nominating and Corporate Governance Committee considers diversity in identifying nominees for director, including personal characteristics such as race and gender, as well as diversity in experience and skills relevant to the board's performance of its responsibilities in the oversight of a complex global business. The Nominating and Corporate Governance Committee assesses the effectiveness of its efforts at pursuing diversity through its periodic evaluation of the board's composition.

The Nominating and Corporate Governance Committee is responsible for recommending nominees for election to the board at each annual meeting of shareowners and for identifying one or more candidates to fill any vacancies that may occur on the board. The directors may act to fill any vacancy and also increase the number of directors, subject to the limit of 16 directors set in the Bylaws. Under our Corporate Governance Guidelines, the Nominating and Corporate Governance Committee may use a variety of sources in order to identify new candidates. New candidates may be identified through recommendations from independent directors or members of management, search firms, discussions with other persons who may know of suitable candidates to serve on the board, and shareowner recommendations. Evaluations of prospective candidates typically include a review of the candidate's background and qualifications by the Nominating and Corporate Governance Committee, interviews with the Committee as a whole, one or more members of the Committee, or one or more other board members, and discussions of the Committee and the full board. The Committee then recommends candidates to the full board, with the full board selecting the candidates to be nominated for election by the shareowners or to be elected by the board to fill a vacancy.

The Nominating and Corporate Governance Committee will consider director candidates proposed by shareowners on the same basis as recommendations from other sources. Any shareowner who wishes to recommend a prospective candidate for the board of directors for consideration by the Nominating and Corporate Governance Committee may do so by submitting the name and qualifications of the prospective candidate in writing to the following address: Corporate Secretary, 55 Glenlake Parkway, N.E., Atlanta, Georgia 30328. Any such submission should also describe the experience, qualifications, attributes and skills that make the prospective candidate a suitable nominee for the board of



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directors. Our Bylaws set forth the requirements for direct nomination by a shareowner of persons for election to the board of directors. These requirements are described under "Other Information for Shareowners Shareowner Proposals or Shareowner Nominations for Director at 2015 Annual Meeting" on page 74.

## Director Independence

Our Corporate Governance Guidelines include categorical standards adopted by the board to determine director independence that meet the listing standards set forth by the NYSE. Our Corporate Governance Guidelines are available on the governance section of our investor relations website at [www.investors.ups.com](http://www.investors.ups.com).

Pursuant to the Corporate Governance Guidelines, the board undertook its annual review of director independence in February 2014. As part of this review, the board considered whether there were any relationships between each director or any member of his or her immediate family and UPS. The board also examined whether there were any relationships between an organization of which a director is a partner, shareholder or executive officer and UPS. The purpose of this review was to determine whether any such relationships were inconsistent with a determination that a director is independent. The board also evaluated the categorical standards that form a part of our Corporate Governance Guidelines.

As a result of this review, the board affirmatively determined that the following directors are independent directors: Duane Ackerman, Rodney Adkins, Michael Burns, Stuart Eizenstat, Bill Johnson, Candace Kendle, Ann Livermore, Rudy Markham, Sandy Randt, Carol Tomé and Kevin Warsh. The board also previously determined that John Thompson, who left the board in May 2013, was independent. Accordingly, 11 of our 13 directors are independent, and all directors on the following committees are independent:

Audit Committee;

Compensation Committee; and

Nominating and Corporate Governance Committee.

In determining the independence of Rodney Adkins, Stuart Eizenstat, Bill Johnson and Carol Tomé, our board considered ordinary course relationships between UPS and the companies that employed these directors during 2013.

## Executive Sessions of our Non-Management Directors

Our non-management directors hold executive sessions without management present as frequently as they deem appropriate, typically at the time of each regular board meeting. The presiding director for these meetings rotates among the chairpersons of the independent board committees, currently the Audit, Compensation and Nominating and Corporate Governance Committees. The presiding director determines the agenda for the session and, after the session, acts as a liaison between the non-management directors and the Chairman and Chief Executive



Officer. The presiding director may invite the Chairman and Chief Executive Officer to join the session for certain discussions, as he or she deems appropriate. If the non-management directors include in the executive sessions any directors who are not independent directors, then at least once a year there is an executive session including only the independent directors.

## Board Leadership Structure

Our Corporate Governance Guidelines provide that our board will include a majority of independent directors. Our Guidelines also provide that the board will select the Chairman and the Chief Executive Officer and that the board periodically will evaluate whether or not to separate the roles of Chairman and Chief Executive Officer. Our Bylaws provide the board with the flexibility of having a single person serve as Chairman and Chief Executive Officer or separating the roles.

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Scott Davis has served as Chairman of the Board since he was appointed Chief Executive Officer on January 1, 2008. Having our Chief Executive Officer serve as Chairman of the Board is consistent with the historical practice of UPS, as all nine of our previous Chief Executive Officers have also served as Chairman of the Board.

As described above under "Director Independence," 11 of our 13 directors are independent. In addition, all of the directors on each of the Audit Committee, the Compensation Committee and the Nominating and Corporate Governance Committee are independent directors. Each of these committees is led by a committee chair who sets the agenda for the committee and reports to the full board on the committee's work. We do not have a lead director, but our Corporate Governance Guidelines provide that our non-management directors meet in executive session without management present as frequently as they deem appropriate, typically at the time of each regular board meeting. The chairs of the independent board committees rotate as presiding director, and the presiding director acts as a liaison between the non-management directors and the Chief Executive Officer after each executive session.

The board is responsible for selecting the Company's Chairman and the Chief Executive Officer, and has the authority pursuant to our Guidelines and Bylaws to determine the most appropriate leadership structure for UPS at any given point in time. The board believes that it is in the best interests of the Company periodically to evaluate and make a determination regarding whether or not to separate the roles of Chairman and Chief Executive Officer based upon the circumstances, and regularly undertakes this evaluation. Currently, the board believes that it is in the best interests of the Company and its shareowners for a single person to serve in both roles. Our company has employed this leadership structure of having a combined Chairman and Chief Executive Officer for many years, and we believe that this leadership structure has been effective for the Company. We believe that having a combined Chairman and Chief Executive Officer, a board with a majority of independent directors who meet regularly in executive session, and independent chairs for the board's Audit, Compensation, and Nominating and Corporate Governance Committees provides the best form of leadership for the Company and its shareowners.

## Board's Role in Risk Oversight

Our board is responsible for overseeing our risk management. Under its charter, the Audit Committee is responsible for discussing with management policies with respect to financial risk assessment and enterprise risk management, including guidelines to govern the process by which major financial and accounting risk assessment and management is undertaken by the Company. The Audit Committee also oversees our corporate compliance programs, as well as the internal audit function. The board's other independent committees oversee risks associated with their respective areas of responsibility. For example, the Compensation Committee considers the risks associated with our compensation policies and practices, with respect to both executive compensation and compensation generally. In addition to the committees' work in overseeing risk management, our full board regularly engages in discussions of the most significant risks that the Company is facing and how these risks are being managed. The board also receives reports on risk management from senior officers of the Company and from the committee chairs. The board reviews periodic assessments from the Company's ongoing enterprise risk management process that are designed to identify potential events that may affect the achievement of the Company's objectives or have a material adverse effect on the Company.

The Company's chief legal officer and Corporate Secretary reports directly to our Chief Executive Officer, providing him with visibility into the Company's risk profile. The head of the Company's compliance and internal audit functions regularly reports to the Audit Committee, and each of the chief legal officer, controller and the compliance and internal audit department manager have regularly scheduled private sessions with the

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Audit Committee. The board of directors believes that the work undertaken by the committees of the board, together with the work of the full board of directors and the Chief Executive Officer, enables the board of directors to effectively oversee the Company's management of risk.

We believe that our board's leadership structure, as described above, supports the risk oversight function of the board. While we have a combined Chief Executive Officer and Chairman of the Board, strong independent directors chair the various committees involved with risk oversight, and there is open communication between management and directors with respect to risk oversight.

## Corporate Governance Guidelines, Committee Charters and Code of Business Conduct

Our Corporate Governance Guidelines are available on the governance section of our investor relations website at [www.investors.ups.com](http://www.investors.ups.com). The charters for each of the Audit, Compensation and Nominating and Corporate Governance Committees also are available on the governance section of our investor relations website.

We have a long-standing commitment to conduct our business in accordance with the highest ethical principles. Our Code of Business Conduct is applicable to all the representatives of our enterprise, including our executive officers and all other employees and agents of our company and our subsidiary companies, as well as to our directors. A copy of our Code is available on the governance section of our investor relations website.

## Committees of the Board of Directors

Our board of directors has four committees: the Audit Committee, the Compensation Committee, the Nominating and Corporate Governance Committee and the Executive Committee. The following table shows the current members of each committee.

Director	Nominating and Corporate Governance				Executive
	Audit	Compensation			
F. Duane Ackerman		X	X*	X	
Rodney C. Adkins	X				
Michael J. Burns	X				
D. Scott Davis				X*	
Stuart E. Eizenstat		X	X		
Michael L. Eskew				X	
William R. Johnson			X		
Candace Kendle	X				
Ann M. Livermore		X*			
Rudy H.P. Markham	X				
Clark T. Randt, Jr.			X		
Carol B. Tomé	X*				

Kevin M. Warsh

X

X= current committee member; \* = chair

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*Audit Committee.* During 2013, the Audit Committee held 13 meetings. Each member of our Audit Committee meets the independence requirements of the NYSE and SEC rules and regulations, and each is financially literate. Our board has determined that Carol Tomé is an audit committee financial expert as defined by the SEC. The primary responsibilities of our Audit Committee include:

assisting the board in discharging its responsibility relating to our accounting, reporting and financial practices,

general responsibility for overseeing our accounting and financial reporting processes,

overseeing the integrity of our financial statements, our systems of disclosure controls and internal controls and our compliance with legal and regulatory requirements,

overseeing the qualification and independence of our accountants and the performance of our internal audit function and independent accountants,

having sole authority to appoint and oversee a registered public accounting firm (as defined by applicable law) to serve as our independent accountants, including sole discretion to retain and terminate the independent accountants, and

discussing with management policies with respect to financial risk assessment and enterprise risk management.

*Compensation Committee.* During 2013, the Compensation Committee held six meetings. Each member of our Compensation Committee meets the independence requirements of the NYSE, including the enhanced independence requirements applicable to Compensation Committee members under NYSE rules effective July 1, 2013, is a non-employee director under Rule 16b-3 of the Securities Exchange Act of 1934 and is an outside director under Section 162(m) of the Internal Revenue Code. For additional information about the Compensation Committee's processes and the role of executive officers and compensation consultants in determining compensation, see "2013 Compensation Discussion and Analysis". The primary responsibilities of our Compensation Committee include:

assisting the board in discharging its responsibilities with respect to compensation of our executive officers,

reviewing and approving the corporate goals and objectives relevant to the compensation for our Chief Executive Officer,

evaluating the Chief Executive Officer's performance in light of these goals and objectives and establishing the total compensation for the Chief Executive Officer based on this evaluation,

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reviewing and approving the compensation of other executive officers based upon all relevant information,

reviewing and approving awards to executive officers under our equity compensation plans,

overseeing the evaluation of risk associated with the Company's total compensation strategy and compensation programs,  
and

being directly responsible for the appointment, retention, compensation, oversight and termination of any outside consultants retained to advise the Compensation Committee.

*Nominating and Corporate Governance Committee.* During 2013, the Nominating and Corporate Governance Committee held five meetings. Each member of our Nominating and Corporate Governance Committee meets the independence requirements of the NYSE. The

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primary responsibilities of our Nominating and Corporate Governance Committee include:

receiving and considering recommendations from the Chief Executive Officer and others regarding succession at the Chief Executive Officer and other senior officer levels,

assisting the board in identifying and screening qualified candidates to serve as directors, including considering shareowner nominees,

recommending to the board candidates for election or reelection to the board or to fill vacancies on the board,

aiding in attracting qualified candidates to serve on the board, and

making recommendations to the board concerning corporate governance principles, including the structure, composition and functioning of the board and all board committees, the delegation of authority to subcommittees, board oversight of management actions and reporting duties of management.

*Executive Committee.* The Executive Committee may exercise all powers of the board of directors in the management of our business and affairs, except for those powers expressly reserved to the board under Delaware law or otherwise limited by the board of directors. The Executive Committee held no meetings during 2013.

## Compensation Committee Interlocks and Insider Participation

Duane Ackerman, Stuart Eizenstat, Ann Livermore, John Thompson and Kevin Warsh were members of the Compensation Committee of our board of directors during 2013. None of these directors are employees or former employees of UPS. None of the members of the Compensation Committee has any direct or indirect material interest in or relationship with us outside of his or her position as a non-employee director. None of our executive officers serves as a member of a board of directors or compensation committee of any entity that has one or more executive officers who serves on our board of directors or Compensation Committee.

## Compensation Practices and Risk Management

We believe our compensation practices provide a balanced mix of cash and equity, annual and longer-term incentives, and performance metrics which mitigate excessive risk-taking that would be reasonably likely to have a material adverse effect on us. These practices include:

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considering multiple performance measures under our annual and long-term incentive award programs serves as an internal "check-and-balance" so as not to put emphasis solely on one measure of performance;

permitting the Compensation Committee discretion in making final award determinations under the Management Incentive Program in order to take into account changing market conditions allows our executives to focus on the long-term health of our company rather than an "all or nothing" approach to achieving short-term goals;

using both restricted performance units and stock options for equity awards balances risk incentives;

annual and long-term incentive awards to executive officers are limited to a fixed maximum;

the performance measures considered under our annual and long-term incentive plans include company-wide metrics; we believe that the inclusion of company-wide



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metrics encourages decision-making that is in the best long-term interests of our shareowners;

vesting requirements over a minimum of three years for our equity awards ensures that our executives' interests align with those of our shareowners over the long term;

incentive awards to our executive officers are subject to the clawback provisions contained in our 2012 Omnibus Incentive Compensation Plan and 2009 Omnibus Incentive Compensation Plan; and

all directors and executive officers are subject to robust stock ownership guidelines.

## Meetings of the Board of Directors and Attendance at the Annual Meeting

Our board of directors held five meetings during 2013. Each of our directors attended at least 75% of the total number of meetings of the board and any committees of which he or she was a member. It is the board's policy that our directors attend the annual meeting. All of the directors who were serving on the board at the time of our 2013 annual meeting attended the meeting.

## Majority Voting for Directors and Director Resignation Policy

Our Bylaws provide for majority voting in uncontested director elections. Under the majority voting standard, directors are elected by a majority of the votes cast, which means that the number of shares voted for a director must exceed the number of shares voted against that director.

Under our Corporate Governance Guidelines, the Nominating and Corporate Governance Committee has established procedures for any director who is not elected to tender his or her offer to resign. Upon receiving the director's offer to resign, the Nominating and Corporate Governance Committee will recommend to the board whether to accept or reject the offer to resign, or whether other action should be taken. In determining whether or not to recommend that the board accept any resignation offer, the Nominating and Corporate Governance Committee may consider all factors believed relevant by the Committee's members. If a majority of the members of the Nominating and Corporate Governance Committee were required to tender their offers of resignation as provided above, the independent directors on the board who were not required to tender their offers of resignation will act as a committee to consider the offers and recommend to the board whether or not to accept them.

The board will act on the Nominating and Corporate Governance Committee's recommendation within 90 days following certification of the election results. In deciding whether or not to accept the offer to resign as well as, if applicable, the effective date of the board's acceptance of the offer to resign and any other conditions, the board will consider the factors considered by the Nominating and Corporate Governance Committee and any additional information and factors that the board believes to be relevant. Any director who offers to resign is expected to recuse himself or herself from the board vote unless the number of independent directors who were successful incumbents is fewer than three. Thereafter, the board will promptly publicly disclose its decision regarding any offer to resign (including the reason(s) for rejecting the

resignation offer, if applicable). If the board determines to accept a director's offer to resign pursuant to this process, the Nominating and Corporate Governance Committee will recommend to the board and the board will thereafter determine whether and when to fill such vacancy or reduce the size of the board.

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## Related Person Transactions

We have not entered into any related person transactions that meet the requirements for disclosure in this proxy statement.

In accordance with our Audit Committee charter, our Audit Committee is responsible for overseeing our written Code of Business Conduct, which includes policies relating to conflicts of interest. The Code requires that all of our employees and directors avoid conflicts of interest, defined as situations where the person's private interests conflict, or even appear to conflict, with the interests of UPS as a whole.

At least annually, each director and executive officer completes a detailed questionnaire that inquires about any business relationship that may give rise to a conflict of interest and all transactions in which UPS is involved and in which the executive officer, a director or a related person has a direct or indirect material interest. We also conduct a review, at least annually, of our financial systems to identify potential conflicts of interest and related person transactions.

The Nominating and Corporate Governance Committee, which includes only independent directors, conducts an annual review of the information from the questionnaire and financial systems review, evaluates related person transactions (if any) involving the directors and their related persons and makes recommendations to the board of directors regarding the independence of each board member.

If a transaction arises during the year that may require disclosure as a related person transaction, information about the transaction would be provided to the Audit Committee and the Nominating and Corporate Governance Committee, as applicable, for review, approval or ratification of the transaction.

We have purchase, finance and other transactions and relationships in the normal course of business with companies with which our directors are associated, but which are not material. The Nominating and Corporate Governance Committee has reviewed these transactions and relationships and believes they were entered into on terms that are both reasonable and competitive. Additional transactions and relationships of this nature may be expected to take place in the ordinary course of business in the future.

## Communicating with our Board of Directors

Any shareowners or interested parties who wish to communicate directly with our board of directors, with our non-management directors as a group or with the presiding director may do so by writing to the Corporate Secretary, 55 Glenlake Parkway, N.E., Atlanta, Georgia 30328. Please specify to whom your letter should be directed. Once the communication is received and reviewed by the Corporate Secretary, it will be promptly forwarded to the addressee. Advertisements, solicitations for business, requests for employment, requests for contributions or other inappropriate material will not be forwarded to our directors.

## Other Information Regarding Directors

Michael Burns is the former Chairman, Chief Executive Officer and President of Dana Corporation. Dana Corporation filed a voluntary petition under Chapter 11 of the federal bankruptcy laws on March 3, 2006. On January 31, 2008, Dana Corporation emerged from Chapter 11,

prior to his departure from Dana Corporation.

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## Hedging and Pledging Policies

We prohibit our directors and executive officers from hedging their ownership of UPS stock. This prohibition applies to purchasing or selling derivative securities relating to UPS stock and purchasing financial instruments that are designed to hedge or offset any decrease in the market value of UPS securities.

Additionally, in early 2013, we adopted a policy prohibiting our directors and executive officers from entering into future pledges of UPS securities as collateral for a loan and holding UPS securities in margin accounts. These individuals are encouraged (but not required) to unwind any existing pledges.

## Shareowner Engagement

We are committed to proactive interaction with investors as a productive way to facilitate our shareowners' understanding of our company's leadership, the decisions we make and the values we maintain. Our approach to shareowner engagement is based on a foundation of transparency.

During 2013, our management team participated in numerous investor meetings to discuss our business, our strategy and our financial results. These meetings included in-person, telephone and webcast conferences, headquarters and facility visits within the United States and in key international locations.

Our management team extended invitations to discuss our executive compensation program and corporate governance practices to several of our largest shareowners in order to solicit their feedback and answer any questions they may have. We have proactively extended this invitation to our largest shareowners in each of the past several years, and plan to continue to do so in the future. In response to these invitations, we participated in telephone conversations with key investors. We regularly update our Compensation Committee on the conversations with key investors.

The Compensation Committee carefully considers feedback from shareowners and we will continue to proactively solicit feedback from our largest investors. The Committee also annually engages the independent compensation consultant to present an overview of executive compensation trends that may be important to investors. The Committee's consideration of feedback from shareowners, along with market information and analyses provided by the independent compensation consultant, have influenced a number of changes to our executive compensation program over the past several years. These changes include increasing the performance-based equity in our compensation program and eliminating single-trigger equity vesting following a change in control. The Committee continues to design our executive compensation program guided by our executive compensation philosophy and core principles as described in the Compensation Discussion and Analysis.

Materials from our investor presentations, including information on the work of our board and its committees, are available on our investor relations website at [www.investors.ups.com](http://www.investors.ups.com).

## Political Contributions and Lobbying Expenditure Oversight and Disclosure

We recognize the increasing interest of U.S. public company shareowners in greater transparency about corporate political contributions. The board has adopted a Political Contributions and Lobbying Policy designed to ensure that contributions to which it applies are made in a manner consistent with our core values and to protect and enhance shareowner value. We publish on our website at [www.investors.ups.com](http://www.investors.ups.com) our policy and a semi-annual report disclosing the amounts and recipients of all federal and state political contributions and expenditures made by UPS in the United States. The Nominating and Corporate Governance Committee reviews and

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approves the political contribution report prior to its publication on our website.

UPS exercises its right to participate in the public policy process in order to advance the best interests of our company and its shareowners. The UPS Public Affairs department is responsible for coordinating our lobbying activities, including engagements with federal, state, and local governments. All lobbying activities are conducted only with the prior approval of the UPS Public Affairs department, which works with senior management to focus our involvement at all levels of government on furthering our business objectives and our goal of protecting and enhancing shareowner value. The head of our public affairs group reviews all UPS lobbying activities and regularly reports to the board concerning lobbying and political activities.

UPS files a publicly available federal Lobbying Disclosure Act Report each quarter, as required by law. This report provides information on activities associated with influencing legislation through communications with any member or employee of a legislative body or with any covered executive branch official. It also provides disclosure on expenditures for the quarter, describes the specific pieces of legislation that were the topic of communications, and identifies the individuals who lobbied on behalf of UPS. These reports are available at [www.lobbyingdisclosure.house.gov](http://www.lobbyingdisclosure.house.gov) and [www.senate.gov/legislative/Public\\_Disclosure/LDA\\_reports.htm](http://www.senate.gov/legislative/Public_Disclosure/LDA_reports.htm). UPS files similar periodic reports with state agencies reflecting state lobbying activities which are also publicly available.

## Commitment to the Environment and Sustainability

Each year we make publicly available on our website at [www.investors.ups.com](http://www.investors.ups.com) a sustainability report that showcases the aspirations, achievements and challenges of our commitment to balancing the social, economic and environmental aspects of our business. The report describes how UPS is using its logistics expertise to address social and environmental issues around the globe. We are committed to the principle that UPS is part of an interconnected global community, and understand that our success is dependent on economic stability, global trade and a society that welcomes opportunity. In return, we must act responsibly as a business, an employer and a corporate citizen.

Our board takes environmental and social issues seriously, and environmental and social risks are part of our comprehensive enterprise risk management program over which the board exercises risk management oversight responsibility. Our chief sustainability officer regularly reports to the board of directors on a range of topics including sustainability goals and performance. Sustainability is a key part of our strategy, and the board actively considers environmental and social issues in connection with the board's involvement in UPS's strategic planning process.

## Succession Planning and Management Development

We are focused on talent development at all levels within our organization, and many of the members of our Management Committee have spent their entire careers at UPS. Among the board's key responsibilities is to ensure that management establishes and the board oversees an effective executive succession plan. The board regularly reviews the succession plans that support our overall business strategy, with a focus on key positions at the senior officer level. The board recognizes that succession planning and talent management are closely connected to risk management.

Potential leaders are given exposure and visibility to board members through formal presentations and informal events. More broadly, the board is regularly updated on key talent indicators for the overall workforce, including through diversity, recruiting and development programs.





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## Securities Ownership of Certain Beneficial Owners and Management

The following table sets forth information as to any person known to us to be the beneficial owner of more than five percent of our class A or class B common stock.

Name and address	Number of Shares Beneficially Owned	Percent of Class
BlackRock Inc.(1) 40 East 52nd Street New York, NY 10022	43,108,151	6.00%
The Vanguard Group(2) 100 Vanguard Blvd. Malvern, PA 19355	36,409,563	5.08%

(1) According to a Schedule 13G/A filed with the SEC on January 31, 2014, BlackRock Inc. has sole voting power with respect to 35,515,425 shares of our class B common stock and sole dispositive power with respect to 43,108,151 shares of our class B common stock. According to the Schedule 13G/A, BlackRock beneficially owned 6.00% of our class B common stock as of December 31, 2013.

(2) According to a Schedule 13G filed with the SEC on February 12, 2014, The Vanguard Group has sole voting power with respect to 1,169,298 shares of our class B common stock, sole dispositive power with respect to 35,312,207 shares of our class B common stock and shared dispositive power with respect to 1,097,356 shares of our class B common stock. According to the Schedule 13G, The Vanguard Group beneficially owned 5.08% of our class B common stock as of December 31, 2013.

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The following table sets forth the beneficial ownership of our common stock as of February 1, 2014 by our current directors and nominees, our Chief Executive Officer, Chief Financial Officer and three other executive officers who had the highest total compensation for 2013, calculated in accordance with SEC rules and regulations (the "Named Executive Officers"), and all of our directors and executive officers as a group.

Directors and Executive Officers	Number of Shares Beneficially Owned(1)(2)		Additional Shares in which the Beneficial Owner Has or Participates in the Voting or Investment Power(5)	Total Shares Beneficially Owned(6)
	Class A Shares(3)(4)	Class B Shares		
David P. Abney	206,084	1,452	0	207,536
F. Duane Ackerman	13,048	0	0	13,048
Rodney C. Adkins	1,875	0	0	1,875
David A. Barnes	182,579	0	0	182,579
Michael J. Burns	15,825	0	0	15,825
D. Scott Davis	446,470	0	5,366,742(7)	5,813,212
Stuart E. Eizenstat	15,825	200	0	16,025
Michael L. Eskew	338,876	31,154	5,366,742(7)	5,736,772
William R. Johnson	11,860	160	0	12,020
Candace Kendle	5,806	0	0	5,806
Kurt P. Kuehn	112,587	0	0	112,587
Ann M. Livermore	38,581	0	0	38,581
Rudy H.P. Markham	12,494	0	0	12,494
John J. McDevitt	144,570	0	0	144,570
Clark T. Randt, Jr.	7,735	0	0	7,735
Carol B. Tomé	17,867	2,936	0	20,803
Kevin M. Warsh	3,482	0	0	3,482
Shares held by all directors and executive officers as a group (21 persons)	1,913,665	43,455	5,366,742(8)	7,323,862(8)

(1)

Includes shares for which the named person has sole voting or investment power or has shared voting or investment power with his or her spouse. Includes shares held by immediate family members as follows: Abney 26,500; Barnes 4,172; Eskew 51,251; Kuehn 3,016; McDevitt 22,706; and all directors and executive officers as a group 121,378. Each named individual disclaims all beneficial ownership of the shares held by immediate family members.

(2)

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Includes shares pledged as of February 1, 2014 as follows: Directors 0; Abney 0; Barnes 32,657; Davis 0; Kuehn 40,227; McDevitt 27,440; and all directors and executive officers as a group 140,907. The aggregate number of shares pledged by directors and executive officers on February 1, 2014 represents significantly less than 1% of our issued and outstanding shares of common stock. Compliance with our stock ownership guidelines does not include pledged UPS stock. All of the executive officers that had existing pledges as of February 1, 2014 met their stock ownership guidelines after excluding the shares subject to pledge. As described under "Other Governance Matters Hedging and Pledging Policies", we adopted a policy in 2013 prohibiting our directors and executive officers from entering into future pledges of their UPS stock.

(3)

Includes class A shares that may be acquired by directors upon the conversion of RSUs following separation from the UPS board of directors.

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- (4) Includes class A shares that may be acquired through stock options exercisable through April 2, 2014 as follows: Abney 54,912; Barnes 45,713; Davis 133,904; Eskew 99,546; Kuehn 57,135; McDevitt 48,373; Tomé 1,343; and all directors and officers as a group 554,607.
- (5) None of the individuals listed, nor members of their families, has any direct ownership rights in the shares listed. See footnotes 7 and 8.
- (6) All directors and executive officers individually and as a group held less than one percent of outstanding shares, based on an aggregate of 922,879,116 shares of class A and class B common stock outstanding as of February 1, 2014. Assumes that all options exercisable through April 2, 2014 owned by the named individual are exercised. The total number of shares outstanding used in calculating this percentage also assumes that none of the options owned by other named individuals are exercised.
- (7) Includes 5,190,484 class A shares and 176,258 class B shares owned by the Annie E. Casey Foundation, Inc., of which Scott Davis, Mike Eskew and one other executive officer not listed above and other persons constitute the corporate Board of Trustees.
- (8) Includes shares owned by the Annie E. Casey Foundation, Inc. Eliminates duplications in the reported number of shares arising from the fact that several directors and executive officers share in the voting power with respect to these shares.

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## Additional Ownership

In addition to the beneficial ownership of our common stock shown above, our directors and executive officers hold equity instruments that are not reported in the beneficial ownership table but represent additional financial interests that are subject to the same market risk as ownership of our common stock. The number of shares of stock to which these stock units are equivalent as of February 1, 2014 is as follows.

	<b>Restricted Stock Units</b>	<b>Phantom Stock Units</b>	<b>Restricted Performance Units</b>	<b>Other Stock Option Deferral Shares</b>	<b>Deferred Compensation Plan Shares</b>	<b>Total</b>
David P. Abney	54,790	0	17,065	16,911	0	88,766
F. Duane Ackerman	0	0	0	0	6,216	6,216
Rodney C. Adkins	0	0	0	0	0	0
David A. Barnes	21,391	0	15,075	9,682	0	46,148
Michael J. Burns	0	0	0	0	4,192	4,192
D. Scott Davis	138,683	0	48,889	5,846	0	193,418
Stuart E. Eizenstat	0	0	0	0	0	0
Michael L. Eskew	0	0	0	34,643	0	34,643
William R. Johnson	0	0	0	0	0	0
Candace Kendle	0	0	0	0	0	0
Kurt P. Kuehn	27,996	0	15,389	13,681	0	57,066
Ann M. Livermore	0	2,165	0	0	0	2,165
Rudy H.P. Markham	0	0	0	0	0	0
John J. McDevitt	22,117	0	15,496	23,671	0	61,284
Clark T. Randt, Jr.	0	0	0	0	0	0
Carol B. Tomé	0	1,024	0	0	0	1,024
Kevin M. Warsh	0	0	0	0	0	0

Restricted stock units ("RSUs") are bookkeeping units, the value of each of which corresponds to one share of UPS class A common stock.

Phantom stock units are bookkeeping units, the value of each of which corresponds to one share of UPS class A common stock. Phantom stock units were granted to non-employee directors pursuant to a deferred compensation program previously provided to non-employee directors. Dividends paid on UPS common stock are added to the director's phantom stock unit balance. Upon termination of the individual's service as a director, amounts represented by phantom stock units will be distributed in cash over a time period elected by the recipient.

Restricted performance units ("RPU") are bookkeeping units, the value of each of which corresponds to one share of UPS class A common stock. We grant RPUs to the Named Executive Officers under two programs, the Management Incentive Program and the Long-Term Incentive Performance award program.

Stock option deferral shares are shares held for the individual in a rabbi trust within the UPS Deferred Compensation Plan. Each individual elected to defer the receipt of these shares rather than acquiring them directly upon the exercise of a stock option.

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Other deferred compensation plan shares are amounts within the UPS Deferred Compensation Plan allocated to UPS common stock. These represent the non-employee directors' retainer fees that have been deferred and invested in UPS stock.

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We provide both cash and equity awards to our non-employee directors. Our employee directors do not receive any compensation for service as a director. Directors are reimbursed for their expenses related to board membership.

In 2013, the annual cash retainer for our non-employee directors was increased from \$90,000 to \$100,000. The chairs of the Compensation and Nominating and Corporate Governance Committees received an additional annual cash retainer of \$20,000, and the chair of the Audit Committee received an additional annual cash retainer of \$25,000. Cash retainers are paid on a quarterly basis. Under the UPS Deferred Compensation Plan, non-employee directors may defer retainer fees, but we do not make any company or matching contributions under this plan. There are no preferential or above-market earnings in the UPS Deferred Compensation Plan.

In addition, in 2013 non-employee directors received an annual restricted stock unit grant in the amount of \$160,000 that will be settled in shares of class A common stock (rounded down to the nearest whole share). RSUs are required to be held until the director separates from the UPS board of directors. Following separation, the RSUs are paid in shares of class A common stock. The annual equity grant is prorated based on the portion of the year that a director serves on the board. There is no additional equity award for new non-employee directors who join the board.

## 2013 Director Compensation

The following table sets forth the compensation paid to our non-employee directors in 2013.

Name	Fees Earned or Paid in		Total(\$)
	Cash(\$)	Stock Awards\$(1)	
F. Duane Ackerman	112,500	159,994	272,494
Rodney C. Adkins(2)	50,000	159,988	209,988
Michael J. Burns	95,000	159,994	254,994
Stuart E. Eizenstat	95,000	159,994	254,994
Michael L. Eskew	95,000	159,994	254,994
William R. Johnson	95,000	159,994	254,994
Candace Kendle	95,000	159,994	254,994
Ann M. Livermore	108,750	159,994	268,744
Rudy H.P. Markham	95,000	159,994	254,994
Clark T. Randt, Jr.	95,000	159,994	254,994
John W. Thompson(3)	52,500	0	52,500
Carol B. Tomé	117,500	159,994	277,494
Kevin W. Warsh	95,000	159,994	254,994

(1)

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The values for stock awards in this column represent the grant date fair value of the restricted stock units granted in 2013, computed in accordance with FASB ASC Topic 718. Information about the assumptions used to value these awards can be found in Note 10 "Stock-Based Compensation" in our 2013 Annual Report on Form 10-K. Restricted stock units are fully vested on the date of grant, and will be paid in shares of class A common stock following the director's separation from service from UPS. Dividends earned on each award are reinvested in additional units at each dividend payable date.

(2)

Rodney Adkins was appointed to the board on June 28, 2013.

(3)

John Thompson left the board in May 2013.



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The aggregate number of stock awards and option awards made under our director compensation programs and outstanding as of December 31, 2013 for each of our non-employee directors are set forth below.

Name	Stock Awards		Stock
	Restricted Stock Units (#)	Phantom Stock Units (#)	Options Number of Shares Underlying Options (#)
F. Duane Ackerman	10,977	0	0
Rodney C. Adkins	1,875	0	0
Michael J. Burns	10,977	0	0
Stuart E. Eizenstat	10,977	0	0
Michael L. Eskew	10,977	0	0
William R. Johnson	11,860	0	0
Candace Kendle	5,806	0	0
Ann M. Livermore	10,977	2,165	0
Rudy H.P. Markham	10,977	0	0
Clark T. Randt, Jr.	7,735	0	0
Carol B. Tomé	10,977	1,024	1,343
Kevin M. Warsh	3,482	0	0

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The following sections provide information about our Named Executive Officers and our executive compensation program. It starts with the Compensation Discussion and Analysis, which explains how and why the Compensation Committee, sometimes referred to as the "Committee," made its 2013 compensation decisions for the Named Executive Officers, followed by the report of our Compensation Committee. We then provide the detailed executive compensation tables in the format required by the SEC.

## 2013 Compensation Discussion and Analysis

The Compensation Discussion and Analysis describes UPS's executive compensation programs for 2013 and certain aspects of the programs for 2014. The focus of this section of the proxy is to explain how and why the Committee made its 2013 compensation decisions for the following Named Executive Officers, or NEOs:

D. Scott Davis	Chairman and Chief Executive Officer
David P. Abney	Senior Vice President and Chief Operating Officer
Kurt P. Kuehn	Senior Vice President and Chief Financial Officer
David A. Barnes	Senior Vice President and Chief Information Officer
John J. McDevitt	Senior Vice President, Human Resources and Labor Relations

### **Executive Summary**

#### ***Business Environment***

2013 was a year that continued to have periods of economic uncertainty. Despite these challenges, UPS was able to deliver positive results for our shareowners for the year due to the unique network we have built. While we fell short of our earnings per share goal, we still achieved new records in revenue and earnings per share. In 2013, UPS earned \$4.37 billion on \$55.4 billion in revenue.

Our customers trusted us with, on average, more than 16.9 million packages each day in 2013, or 4% more than in 2012. While most of that increase came from the rapid growth in e-commerce, we are also benefitting from the significant investments we have made to serve customers in fast-growing segments like healthcare and high tech. Other highlights for 2013 include the following:

Free cash flow generation remained strong, enabling us to raise the dividend by almost 9% in 2013. This means UPS has now increased or maintained its dividend annually for more than four decades. Our robust cash flow also enabled us to fund \$2.1 billion in capital expenditures and repurchase more than \$3.8 billion in shares in 2013.

The U.S. Domestic segment recorded a 3.7% rise in revenue, as the online shopping boom increased demand for our omni-channel solutions. By working closely with retailers, we enable them to fulfill online orders right from their stores. That not only reduces the time and distance in transit, but also helps merchants capture sales that might be otherwise lost if their distribution centers are out of stock.

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International revenue rose 2.5%, bolstered by the emerging recovery in Europe, with the segment earning \$1.76 billion on \$12.4 billion in revenue. International generated 22% of our total revenue in 2013, compared to 17% in 2003, demonstrating the growing demand for our services around the world.

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The Supply Chain and Freight segment saw a decline in revenue. Freight Forwarding experienced challenges from overcapacity and reduced demand in the air-freight market. However, our Logistics & Distribution group enjoyed solid revenue growth, largely due to improvements made in our healthcare, retail and UPS mail services. UPS added 13 distribution facilities in 2013 to support the growth of our healthcare, high tech, retail, and aerospace customers.

UPS continues to invest heavily in our global network. In November 2013, we completed the expansion of our air hub in Cologne, Germany, which increased capacity there by 70%. The Cologne project was part of \$500 million in scheduled facility expansions across Europe, Latin America and Asia over a two-year period.

The improving global economy and the continued growth in e-commerce, healthcare and technology provide opportunities for UPS to deliver segment-specific customer solutions while leveraging our extensive asset base. We are guided by four transformative strategies: deploying technology-enabled operations, providing unique and industry-specific customer solutions, expanding our global network and serving the needs of end consumers around the world. We believe that UPS is well-positioned to benefit from the opportunities that arise today and in the years ahead.

***Summary of 2013 Compensation Actions***

As noted above, key compensation decisions for the Named Executive Officers for 2013 include the following:

Most of the total direct compensation to our NEOs is performance based and at risk based on company performance (89% for the CEO and 86% for all NEOs).

Base salaries of the NEOs were increased by an average of 3.6%; the base salary of the CEO was increased by 3.0%.

2013 annual incentive awards for the NEOs under the Management Incentive Program, or MIP, were earned at 75% of target. 2013 MIP ownership incentive awards equal to one month's salary were earned by the NEOs.

2013 Long-Term Incentive Performance award tranches were earned at 85% of target based on revenue growth and operating return on invested capital, while the 2013 earnings measurement tranche for the 2011 LTIP was not earned.

***Compensation and Governance Practices***

We believe that our compensation programs encourage executive decision-making that is aligned with the long-term interests of our shareowners by tying a significant portion of pay to company performance over a multi-year period and by promoting our long-standing owner-manager culture. Other compensation and governance practices that support these principles, each of which is described in more detail in this Compensation Discussion and Analysis, include the following:

We do not have employment agreements with any of our executive officers.

We do not have separate change in control or severance agreements with any of our executive officers.

Our compensation practices provide a balanced mix of cash and equity, annual and longer-term incentives, and performance metrics which mitigate excessive risk-taking.

Our 2012 Plan and 2009 Plan include a clawback provision that permits us to recover awards granted to executive officers if the financial results used to determine the

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amount of the award are materially restated and the executive officer engaged in fraud or intentional misconduct.

Our 2012 Plan and 2009 Plan generally require a "double trigger" both a change in control and a termination of employment to accelerate the vesting of unvested awards.

We have robust stock ownership guidelines that include a target ownership of eight times annual salary for the Chief Executive Officer and five times annual salary for the other executive officers.

We prohibit our executive officers and directors from hedging their ownership in UPS stock. Specifically, they are prohibited from purchasing or selling derivative securities relating to UPS stock and from purchasing financial instruments that are designed to hedge or offset any decrease in the market value of UPS securities. Additionally, in early 2013 we adopted a policy prohibiting our executive officers and directors from entering into future pledges of UPS stock.

Since equity award programs can have a dilutive impact on shareowner value, we regularly evaluate our overhang ratio and our annual grant rate, and we believe that our low overhang (4.47%) and grant rate (0.55%) percentages demonstrate our objective to effectively and responsibly manage equity usage.

**Compensation Decisions Process and Inputs**

*Executive Compensation Strategy*

The UPS executive compensation programs are designed to:

Drive organizational performance by tying a significant portion of pay to company performance;

Retain and motivate talent by fairly compensating executive officers; and

Encourage long-term stock ownership and careers with UPS, aligning the interests of our executives to long-term value creation for our company.

Our compensation programs are designed to emphasize strong annual performance and foster long-term operational performance and success. We believe that a majority of total compensation (base salary, annual incentives and long-term incentives) that can be earned by the Named Executive Officers should be "at risk", meaning that the compensation is only earned by meeting annual or long-term performance goals. The 2013 compensation elements with "at risk" components are approximately 86% of the 2013 target compensation opportunity for all of the Named Executive Officers, and approximately 89% for our Chief Executive Officer.



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Below are charts that demonstrate, for the CEO and for the NEOs as a group, the portion of target compensation that is at risk.

**2013 Target Compensation for CEO**

**2013 Target Compensation for all NEOs**



***Roles and Responsibilities***

The UPS executive compensation program is administered by the Compensation Committee of the board of directors. Each of the four non-employee directors on the Compensation Committee meets the independence requirements of the NYSE, including the enhanced independence requirements under NYSE listing standards that became effective July 1, 2013.

The Compensation Committee has sole authority to engage and terminate outside advisors and consultants to assist the Compensation Committee in carrying out its responsibilities. In 2013, the Committee retained Frederic W. Cook & Co. ("Cook"). Cook reports directly to the Chair of the Compensation Committee. Cook provides no additional services to UPS.

In November 2013, the Compensation Committee considered the independence of Cook and the existence of potential conflicts of interest in light of new SEC rules and NYSE listing standards that became effective on July 1, 2013. In evaluating Cook's independence and potential conflicts of interest involving Cook, the Compensation Committee requested and received a letter from Cook addressing the consulting firm's independence and the existence of any potential conflicts of interest, including the following factors: (1) other services provided to us by the consultant; (2) fees paid by us as a percentage of the consulting firm's total revenue; (3) policies or procedures maintained by the consulting firm that are designed to prevent a conflict of interest; (4) any business or personal relationships between the individual consultants involved in the engagement and a member of the Compensation Committee; (5) any company stock owned by the individual consultants involved in the engagement; and (6) any business or personal relationships between our executive officers and the consulting firm or the individual consultants involved in the engagement. The Compensation Committee discussed these considerations and concluded that Cook is independent and that the engagement of Cook did not raise any conflict of interest.

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The following table summarizes the roles of each of the key participants in the executive compensation decision-making process.

**Participant**

Compensation Committee

**Roles**

Reviews and recommends to the board the corporate goals and objectives relevant to the compensation for the Chief Executive Officer

Evaluates the performance of the Chief Executive Officer in light of the goals and objectives and determines and approves the total compensation of the Chief Executive Officer based on this evaluation

Reviews the Chief Executive Officer's performance assessment of other executive officers, and reviews and approves compensation for the executive officers, including the Named Executive Officers

Reviews and approves awards to executive officers under certain incentive compensation and equity-based plans, and reviews and approves the design of other benefit plans for executive officers

Oversees the evaluation of risk associated with the Company's total compensation strategy and compensation programs

Considers whether the compensation consultant is independent and whether the work of the compensation consultant raises any conflict of interest

Reviews and discusses with management the Compensation Discussion and Analysis

Independent Members of the Board of Directors	Prepares the Compensation Committee's report on executive compensation
Independent Compensation Consultant	Reviews the Committee's assessment of the Chief Executive Officer's performance
	Serves as a resource for market data on pay practices and trends
	Provides independent advice to the Compensation Committee
	Provides competitive analysis and advice related to outside director compensation
	Reviews the Compensation Discussion and Analysis
Executive Officers	Conducts an annual risk review
	The Chief Executive Officer makes compensation recommendations to the Compensation Committee for the other executive officers with respect to base salary
	The Chief Executive Officer and the Chief Financial Officer make recommendations on performance goals under our incentive compensation plans and provide recommendations as to whether performance goals were achieved at the end of the performance period
	Executive officers are not present when the Compensation Committee meets in executive session, or when decisions about their own compensation are made

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[REDACTED]

[REDACTED]

*Market Data*

&nb