



United Parcel Service Inc (UPS) Vote Yes: Item #7 – Disclose Plan to Align Operations with Carbon Neutrality Goal

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THE RESOLUTION

Shareholders request UPS issue a report, at reasonable cost and omitting proprietary information, describing if and how it plans to align its operations and investments with its carbon neutrality goal.

SUMMARY

Climate change is creating systemic risks across value chains, including supply chain disruptions, reduced productivity, and infrastructure damage.¹ Extreme weather in 2024 caused an estimated \$100 billion in global supply chain losses,² and by 2060, analysts project that climate-driven supply chain disruptions could cost from \$3.75 trillion up to \$24 trillion.³

These dynamics present material financial risks to companies and the broader economy. Investors are increasingly concerned about the systemic impacts of climate change, including disruptions to shipping and transportation markets. In response to these concerns, investors are scrutinizing the role that portfolio companies play in contributing to these risks through greenhouse gas (GHG) emissions.

In the U.S., transportation is the largest source of GHG emissions, representing 28% of total emissions, with ground transportation comprising the largest share.⁴ As a result, the sector has become a focal point of investor scrutiny and climate-related regulation, resulting in a growing patchwork of policies for the industry to navigate. In addition, reliance on diesel and jet fuel exposes UPS to fuel price volatility, as geopolitical disruptions—such as the conflict in Iran—continue to drive oil price fluctuations and increase operating cost uncertainty.⁵

Despite mounting climate risk, UPS has not disclosed how it plans to decrease its emissions in line with its 2050 carbon neutrality target. Meanwhile, competitors FedEx and DHL have expanded their disclosures and are capitalizing on the advantages of a low-carbon business model, leaving UPS at a competitive disadvantage. To ensure UPS responds to these risks and remains competitive in an industry redefined by climate change, investors request the Board disclose how the Company plans to reach its 2050 carbon neutrality target.

¹ <https://www.ecb.europa.eu/press/research-publications/resbull/2025/html/ecb.rb250624~a3ba3cb524.en.html>

² <https://www.freightwaves.com/news/weathers-wrath-supply-chains-reel-from-2024s-extreme-events>

³ <https://www.sciencedaily.com/releases/2024/03/240313135634.htm>

⁴ <https://www.epa.gov/greenvehicles/fast-facts-transportation-greenhouse-gas-emissions>

⁵ <https://www.nytimes.com/2026/03/10/business/energy-environment/jet-fuel-diesel-airlines-truckers-iran.html>



RATIONALE FOR A YES VOTE

1. UPS is exposed to climate-related physical, competitive, and transition risks.
2. UPS is not on track to meet its carbon neutrality goal.
3. UPS lags peers in climate ambition and action.

DISCUSSION

1. UPS is exposed to climate-related physical, competitive, and transition risks.

Physical risk

UPS's transportation and logistics business is highly exposed to the physical impacts of climate change, creating a strong economic and operational incentive to contribute to the goal of limiting global warming. As disclosed in its 2026 Form 10-K, the increasing severity and frequency of extreme weather events poses material business risks to UPS, including potential disruptions to shipments and supply chains, damage to facilities, and increased operating costs.⁶ The Company further warns that more frequent or severe weather events could increase costs to repair infrastructure and maintain operations.⁷

This exposure is already translating into measurable cost pressures across the sector, particularly through lost productivity. One study estimates a total of \$81 billion of global trade and at least \$122 billion of economic activity is at-risk on average, annually, from climate-related disruptions at ports.⁸ As climate-related disruptions continue to escalate, they are expected to increase the total cost of operations, reinforcing the importance of minimizing emissions contributions and integrating climate risk and resilience into long-term fleet and logistics planning.

Competitive and Transition Risks

A large portion of corporate customers have set emissions-reduction targets for their supply chains (Scope 3) and rely on logistics partners to help achieve their targets. Over 1,000 corporations across North America have committed to emission reduction targets through SBTi.⁹ Low-carbon shipping solutions enable customers to align with their environmental targets, meet regulatory requirements, enhance brand reputation, achieve cost savings, and mitigate supply chain risk.

State-level climate policies will also have an impact on UPS's operations. States that significantly contribute to high network volume and revenue, such as California, New York, and Illinois, have ambitious long-term climate policies and emissions-reduction expectations.¹⁰ Twenty-four states representing roughly 55% of the U.S. population and 60% of the economy are members of the U.S. Climate Alliance, a bipartisan coalition focused on state-led climate action that specifically prioritizes reducing transportation-related emissions.¹¹

⁶ <https://investors.ups.com/sec-filings/annual-filings/content/0001628280-26-008432/0001628280-26-008432.pdf>, p.12-13

⁷ <https://investors.ups.com/sec-filings/annual-filings/content/0001628280-26-008432/0001628280-26-008432.pdf>, p.12-13

⁸ <https://www.nature.com/articles/s41558-023-01754-w>

⁹ <https://sciencebasedtargets.org/target-dashboard>

¹⁰ <https://www.climatepolicydashboard.org/policies/transportation/transportation-ghg-targets>

¹¹ <https://usclimatealliance.org/policy-priorities/transportation/>



Even as federal policies weaken, state-level regulations and customer requirements in key markets are expected to continue shaping fleet and operational decisions. Policies such as zero-emission vehicle mandates and tightening emissions standards can accelerate the obsolescence of diesel-powered assets and constrain fleet deployment. Proactive planning can reduce the risk of buying vehicles that could become non-compliant or lose residual value, avoid costly last-minute fleet transitions, and preserve operational flexibility under future regulatory scenarios.

2. UPS is not on track to meet its carbon neutrality goal.

Investors seek greater visibility into how UPS will meet its 2050 carbon neutrality goal. As noted above, there are strong risk-related and competitive reasons for UPS to set and meet a carbon neutrality goal. As a major industry player, it is well positioned to play a leading role in scaling and shaping the clean energy market.

While UPS has disclosed certain mid-term sustainability targets for its ground and air operations, current disclosures do not demonstrate a credible pathway to achieving its carbon neutrality goal. In fact, UPS's total emissions increased from 2024 to 2025 and the Company failed to meet its 2025 target to fuel 40% of its ground operations with alternative fuels.¹² Similarly, while UPS has set a goal to reduce the carbon intensity per global small package delivered by 50% by 2035 from a 2020 baseline, recent disclosures show its package emissions intensity has increased by 17% compared to 2020.¹³

UPS's current decarbonization strategy for ground transportation emphasizes alternative fuels which extend its reliance on fossil fuel infrastructure and risks slowing progress toward long-term decarbonization. In 2024, UPS contracted to purchase more than 1,700 compressed natural gas (CNG) and liquified natural gas (LNG) heavy duty vehicles.¹⁴ These vehicles may offer modest lifecycle emissions reductions compared to diesel, but the methane leakage associated with these fuels can offset CO₂ savings since methane is over 80 times more potent than CO₂ in the near-term.¹⁵ This approach therefore risks creating a stagnated transition pathway in which capital is deployed toward assets that neither deliver substantial emissions reductions nor support a timely shift to zero-emission technologies, ultimately locking in small gains at the expense of the structural changes required for full decarbonization.

UPS reported \$3.7 billion in capital expenditures in 2025, with approximately \$430 million allocated to "projects which support...environmental sustainability goals". This represents a decline of more than 20% from 2024.¹⁶ The Company also provides limited transparency into how it defines or qualifies "green" capex, offering only illustrative examples—such as lower-emission vehicles—rather than a comprehensive framework that clearly defines what qualifies as green capex and how the Company's

¹² <https://about.ups.com/content/dam/upsstories/images/our-impact/reporting/2025-ups-gri.pdf>, p.26, 27

¹³ <https://about.ups.com/content/dam/upsstories/images/our-impact/reporting/2025-ups-gri.pdf>, p.28

¹⁴ <https://about.ups.com/content/dam/upsstories/images/our-impact/reporting/2024-UPS-GRI-Report.pdf>, p.28

¹⁵ <https://theicct.org/how-upstream-methane-leakage-further-weakens-the-argument-for-natural-gas-trucks-jan25/>;
<https://ghginstitute.org/ipcc-ar6-methane-gwp-tables/>

¹⁶ <https://investors.ups.com/sec-filings/annual-filings/content/0001628280-26-008432/0001628280-26-008432.pdf>, p.43;
https://www.sec.gov/ix?doc=/Archives/edgar/data/1090727/000109072725000019/ups-20241231.htm#ic898c058b5624d8ab283092902191392_58, p.49



spending will deliver the emission reductions required to meet its climate commitments.¹⁷ Without clear criteria, investors are unable to evaluate the credibility, consistency, and overall impact of these investments.

A comprehensive climate transition plan aligned with investor expectations and established frameworks such as the TCFD and CA100+ would provide the transparency needed to evaluate the credibility of UPS's carbon neutrality strategy. The CA100+ Benchmark sets clear investor expectations for a decarbonization strategy and related capital allocation and governance.¹⁸ Developing and disclosing such a plan would strengthen investor confidence while positioning the Company to capture efficiency gains, policy incentives, and market share in a rapidly transforming logistics sector.

3. UPS lags peers in climate ambition and action.

The freight and delivery market is highly competitive, making a clear long-term climate strategy for asset utilization critical to maintaining margins and gaining market share. Competitors FedEx and DHL have each set, or committed to set, emissions reduction targets through the Science Based Targets initiative, widely regarded as the gold standard for science-based target setting, and both include value chain (Scope 3) emissions in their commitments.¹⁹ Both DHL and FedEx also demonstrate stronger governance and execution of climate strategy—signaling to investors a credible, enterprise-wide commitment through comprehensive planning, aligned incentives, and scenario analysis that increases the likelihood of achieving each company's stated targets.

DHL and FedEx also define vehicle electrification milestones that align capital allocation with emissions reductions and long-term competitiveness.²⁰ For example, FedEx provides detailed electrification milestones through 2040 (50% of FedEx pick-up and delivery orders to be EVs in 2025; 100% of FedEx parcel purchase orders to be EVs in 2030).²¹

UPS reported that, of the approximately 128,000 vehicles in its global ground fleet, only 1,000 are electric and hybrid-electric vehicles, which equates to roughly 1% of its fleet.²² By comparison, FedEx and DHL report 8,000 and 50,000 electric vehicles, respectively, and both are increasingly prioritizing electrification and other zero-emission pathways over long-term reliance on CNG and LNG, which are being positioned primarily as transitional solutions.²³

Economic Opportunities

Capitalizing on the opportunities of the clean energy transition is not only vital in addressing climate related risk, but it also creates competitive advantages for the Company. Electrification, for example,

¹⁷ <https://about.ups.com/content/dam/upsstories/images/our-impact/reporting/2025-ups-gri.pdf>, p.23

¹⁸ <https://www.climateaction100.org/wp-content/uploads/2023/03/Climate-Action-100-Net-Zero-Company-Benchmark-Framework-2.0..pdf>

¹⁹ <https://reporting-hub.group.dhl.com/ecomaXL/files/DHL-Group-2025-Annual-Report.pdf>, p.79; https://www.fedex.com/content/dam/fedex/us-united-states/sustainability/gcrs/FedEx_2025_CR_Report.pdf, p.19

²⁰ <https://group.dhl.com/content/dam/deutschepostdhl/en/media-center/investors/documents/annual-reports/DHL-Group-2024-Annual-Report.pdf>, p.73, 74; https://www.fedex.com/content/dam/fedex/us-united-states/sustainability/gcrs/FedEx_2025_CR_Report.pdf, p.19, 22

²¹ https://www.fedex.com/content/dam/fedex/us-united-states/sustainability/gcrs/FedEx_2025_CR_Report.pdf

²² <https://about.ups.com/us/en/our-impact/sustainability/sustainable-services/electric-vehicles---about-ups.html>

²³ https://www.fedex.com/content/dam/fedex/us-united-states/sustainability/gcrs/FedEx_2025_CR_Report.pdf, p.39; <https://reporting-hub.group.dhl.com/ecomaXL/files/DHL-Group-Sustainability-Presentation-2025.pdf>, p.5



presents a critical opportunity to reduce operational costs from fuel. Shifting to electricity over diesel can reduce exposure to price volatility and lower per-mile costs.²⁴ Recent geopolitical conflicts—including the war in Iran, which has disrupted global oil flows and driven prices above \$100 per barrel, as well as the earlier Ukraine war—underscore the persistent volatility of diesel and gas markets, highlighting the likelihood that future geopolitical tensions will continue to generate unpredictable and sustained fuel price shocks.²⁵

Electric vehicles are also becoming affordable, with a 2025 report projecting that even electric long-haul heavy duty trucks could reach cost parity with diesel trucks by 2030.²⁶ Early planning is essential to fully leverage EVs, however, as deploying the necessary infrastructure often requires multi-year coordination with power utilities and grid upgrades, and may necessitate adjustments to route design, fleet utilization, and broader logistics operations.

Finally, the transition to zero-emission vehicles significantly reduces diesel pollution, supporting driver safety and community health.²⁷ While decarbonizing the transportation and logistics industry requires planning, UPS is well positioned to manage this transition through disciplined capital allocation and early investment, enabling it to mitigate future cost exposure while capturing operational efficiencies and market leadership.

CONCLUSION

Vote “Yes” on this Shareholder Proposal #7 asking UPS to disclose how it will meet its carbon neutrality goal.

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²⁴ <https://afdc.energy.gov/vehicles/electric-fleets>

²⁵ <https://www.nytimes.com/2026/03/10/business/energy-environment/jet-fuel-diesel-airlines-truckers-iran.html>

²⁶ <https://eeist.co.uk/wp-content/uploads/EEIST-Driving-the-Transition-to-Zero-Emission-Trucks-Policy-Brief.pdf>; <https://energyinnovation.org/wp-content/uploads/uploads/Delivering-Affordability-Emerging-Cost-Advantages-of-Battery-Electric-Heavy-Duty-Trucks.pdf>

²⁷ <https://www.transportation.gov/rural/ev/toolkit/ev-benefits-and-challenges/community-benefits>