United States
Securities and Exchange Commission
Washington, D.C. 20549

Form 10-Q

(Mark One)

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

For the quarterly period ended March 31, 2022 or

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

For the transition period from to

Commission file number 001-15451

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

Delaware	**58-2480149**
(State or Other Jurisdiction of Incorporation or Organization)	***(IRS Employer Identification No.)***
55 Glenlake Parkway N.E. , Atlanta, Georgia	**30328**
(Address of Principal Executive Offices)	***(Zip Code)***

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

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

Title of Each Class	Trading Symbol	Name of Each Exchange on Which Registered
Class B common stock, par value $0.01 per share	UPS	New York Stock Exchange
0.375% Senior Notes due 2023	UPS23A	New York Stock Exchange
1.625% Senior Notes due 2025	UPS25	New York Stock Exchange
1% Senior Notes due 2028	UPS28	New York Stock Exchange
1.500% Senior Notes due 2032	UPS32	New York Stock Exchange

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

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

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

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

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

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

There were 139,328,843 Class A shares, and 734,437,505 Class B shares, with a par value of $0.01 per share, outstanding at April 22, 2022.

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PART I. FINANCIAL INFORMATION

Cautionary Statement About Forward-Looking Statements

This report, our Annual Report on Form 10-K for the year ended December 31, 2021 and our other filings with the Securities and Exchange Commission contain and in the future may contain "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Statements other than those of current or historical fact, and all statements accompanied by terms such as "will," "believe," "project," "expect," "estimate," "assume," "intend," "anticipate," "target," "plan" and similar terms, are intended to be forward-looking statements. Forward-looking statements are made subject to the safe harbor provisions of the federal securities laws pursuant to Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934.

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

Forward-looking statements are subject to certain risks and uncertainties that could cause actual results to differ materially from our historical experience and our present expectations or anticipated results. These risks and uncertainties, include, but are not limited to: continued uncertainties related to the impact of the COVID-19 pandemic on our business and operations, financial performance and liquidity, our customers and suppliers, and on the global economy; changes in general economic conditions, in the United States (U.S.) or internationally; significant competition on a local, regional, national and international basis; changes in our relationships with our significant customers; changes in the regulatory environment in the U.S. or internationally; increased or more complex physical or data security requirements; legal, regulatory or market responses to global climate change; results of negotiations and ratifications of labor contracts; strikes, work stoppages or slowdowns by our employees; the effects of changing prices of energy, including gasoline, diesel and jet fuel, and interruptions in supplies of these commodities; changes in exchange rates or interest rates; uncertainty from the expected discontinuance of LIBOR and transition to any other interest rate benchmark; our ability to maintain our brand image; our ability to attract and retain qualified employees; breaches in data security; disruptions to the Internet or our technology infrastructure; interruptions in or impacts on our business from natural or man-made events or disasters including terrorist attacks, epidemics or pandemics; our ability to accurately forecast our future capital investment needs; exposure to changing economic, political and social developments in international and emerging markets; changes in business strategy, government regulations, or economic or market conditions that may result in impairment of our assets; increases in our expenses or funding obligations relating to employee health, retiree health and/or pension benefits; potential additional U.S. or international tax liabilities; potential claims or litigation related to labor and employment, personal injury, property damage, business practices, environmental liability and other matters; our ability to realize the anticipated benefits from acquisitions, dispositions, joint ventures or strategic alliances; our ability to realize the anticipated benefits from our transformation initiatives; cyclical and seasonal fluctuations in our operating results; our ability to manage insurance and claims expenses; and other risks discussed in our filings with the Securities and Exchange Commission from time to time, including our Annual Report on Form 10-K for the year ended December 31, 2021, this report and subsequently filed reports. You should consider the limitations on, and risks associated with, forward-looking statements and not unduly rely on the accuracy of predictions contained in such forward-looking statements. We do not undertake any obligation to update forward-looking statements to reflect events, circumstances, changes in expectations, or the occurrence of unanticipated events after the date of those statements, except as required by law.

Item 1. ***Financial Statements***

UNITED PARCEL SERVICE, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
March 31, 2022 (unaudited) and December 31, 2021 (in millions)

	March 31, 2022	December 31, 2021
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 12,208	$ 10,255
Marketable securities	337	338
Accounts receivable	11,335	12,669
Less: Allowance for credit losses	(136)	(128)
Accounts receivable, net	11,199	12,541
Other current assets	1,857	1,800
Total Current Assets	25,601	24,934
Property, Plant and Equipment, Net	33,595	33,475
Operating Lease Right-Of-Use Assets	3,481	3,562
Goodwill	3,668	3,692
Intangible Assets, Net	2,465	2,486
Investments and Restricted Cash	22	26
Deferred Income Tax Assets	173	176
Other Non-Current Assets	1,108	1,054
Total Assets	$ 70,113	$ 69,405
LIABILITIES AND SHAREOWNERS' EQUITY		
Current Liabilities:		
Current maturities of long-term debt, commercial paper and finance leases	$ 2,141	$ 2,131
Current maturities of operating leases	579	580
Accounts payable	7,036	7,523
Accrued wages and withholdings	3,418	3,819
Self-insurance reserves	1,025	1,048
Accrued group welfare and retirement plan contributions	922	1,038
Other current liabilities	1,721	1,430
Total Current Liabilities	16,842	17,569
Long-Term Debt and Finance Leases	19,740	19,784
Non-Current Operating Leases	2,970	3,033
Pension and Postretirement Benefit Obligations	8,203	8,047
Deferred Income Tax Liabilities	3,356	3,125
Other Non-Current Liabilities	3,568	3,578
Shareowners' Equity:		
Class A common stock (140 and 138 shares issued in 2022 and 2021)	2	2
Class B common stock (734 and 732 shares issued in 2022 and 2021)	7	7
Additional paid-in capital	1,231	1,343
Retained earnings	17,433	16,179
Accumulated other comprehensive loss	(3,257)	(3,278)
Deferred compensation obligations	12	16
Less: Treasury stock (0.3 shares in both 2022 and 2021)	(12)	(16)
Total Equity for Controlling Interests	15,416	14,253
Noncontrolling interests	18	16
Total Shareowners' Equity	15,434	14,269
Total Liabilities and Shareowners' Equity	$ 70,113	$ 69,405

See notes to unaudited, consolidated financial statements.

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

	Three Months Ended March 31,	
	2022	**2021**
Revenue	$ 24,378	$ 22,908
Operating Expenses:		
Compensation and benefits	11,616	11,483
Repairs and maintenance	626	619
Depreciation and amortization	764	722
Purchased transportation	4,600	4,243
Fuel	1,220	807
Other occupancy	491	466
Other expenses	1,810	1,803
Total Operating Expenses	21,127	20,143
Operating Profit	3,251	2,765
Other Income and (Expense):		
Investment income and other	315	3,616
Interest expense	(174)	(177)
Total Other Income and (Expense)	141	3,439
Income Before Income Taxes	3,392	6,204
Income Tax Expense	730	1,412
Net Income	$ 2,662	$ 4,792
Basic Earnings Per Share	$ 3.05	$ 5.50
Diluted Earnings Per Share	$ 3.03	$ 5.47

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

	Three Months Ended March 31,	
	2022	**2021**
Net Income	$ 2,662	$ 4,792
Change in foreign currency translation adjustment, net of tax	(40)	(82)
Change in unrealized gain (loss) on marketable securities, net of tax	(6)	(4)
Change in unrealized gain (loss) on cash flow hedges, net of tax	43	114
Change in unrecognized pension and postretirement benefit costs, net of tax	24	2,426
Comprehensive Income (Loss)	$ 2,683	$ 7,246

See notes to unaudited, consolidated financial statements.

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

	Three Months Ended March 31,	
	2022	**2021**
Cash Flows From Operating Activities:		
Net income	$ 2,662	$ 4,792
Adjustments to reconcile net income to net cash from operating activities:		
Depreciation and amortization	764	722
Pension and postretirement benefit (income) expense	201	(3,024)
Pension and postretirement benefit contributions	(45)	(215)
Self-insurance reserves	(45)	4
Deferred tax (benefit) expense	209	942
Stock compensation expense	386	315
Other (gains) losses	44	57
Changes in assets and liabilities, net of effects of business acquisitions:		
Accounts receivable	1,227	435
Other assets	7	363
Accounts payable	(743)	(261)
Accrued wages and withholdings	(343)	199
Other liabilities	173	180
Other operating activities	(17)	22
Net cash from operating activities	4,480	4,531
Cash Flows From Investing Activities:		
Capital expenditures	(548)	(834)
Proceeds from disposal of businesses, property, plant and equipment	—	10
Purchases of marketable securities	(68)	(78)
Sales and maturities of marketable securities	60	134
Net change in finance receivables	5	11
Cash paid for business acquisitions, net of cash and cash equivalents acquired	1	(3)
Other investing activities	(22)	(6)
Net cash used in investing activities	(572)	(766)
Cash Flows From Financing Activities:		
Net change in short-term debt	—	697
Proceeds from long-term borrowings	—	—
Repayments of long-term borrowings	(18)	(1,528)
Purchases of common stock	(254)	—
Issuances of common stock	67	78
Dividends	(1,284)	(858)
Other financing activities	(481)	(334)
Net cash used in financing activities	(1,970)	(1,945)
Effect of Exchange Rate Changes on Cash, Cash Equivalents and Restricted Cash	15	1
Net Increase (Decrease) in Cash, Cash Equivalents and Restricted Cash	1,953	1,821
Cash, Cash Equivalents and Restricted Cash:		
Beginning of period	10,255	5,910
End of period	$ 12,208	$ 7,731

See notes to unaudited, consolidated financial statements.

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

NOTE 1. BASIS OF PRESENTATION AND ACCOUNTING POLICIES

Principles of Consolidation

The accompanying interim unaudited, consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States ("GAAP") for interim financial information and with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. These interim unaudited, consolidated financial statements contain all adjustments (consisting of normal recurring accruals) necessary to present fairly our financial position as of March 31, 2022 and our results of operations and cash flows for the three months ended March 31, 2022 and 2021. The results reported in these interim unaudited, consolidated financial statements should not be regarded as indicative of results that may be expected for any other period or the entire year. The interim unaudited, consolidated financial statements should be read in conjunction with the audited, consolidated financial statements and notes thereto included in our Annual Report on Form 10-K for the year ended December 31, 2021.

Fair Value of Financial Instruments

The carrying amounts of our cash and cash equivalents, accounts receivable, finance receivables and accounts payable approximate fair value as of March 31, 2022 and December 31, 2021. The fair values of our investment securities are disclosed in note 5, our recognized multiemployer pension withdrawal liabilities in note 7, our short- and long-term debt in note 9 and our derivative instruments in note 15. We apply a fair value hierarchy (Levels 1, 2 and 3) when measuring and reporting items at fair value. Fair values are based on listed market prices (Level 1), when such prices are available. To the extent that listed market prices are not available, fair value is determined based on other relevant factors, including dealer price quotations (Level 2). If listed market prices or other relevant factors are not available, inputs are developed from unobservable data reflecting our own assumptions and include situations where there is little or no market activity for the asset or liability (Level 3). We utilized Level 1 inputs in the fair value hierarchy to determine the fair value of our cash and cash equivalents, and Level 2 inputs to determine the fair value of our accounts receivable, finance receivables and accounts payable.

Use of Estimates

The preparation of the accompanying interim unaudited, consolidated financial statements requires management to make estimates and judgments that affect the reported amounts of assets and liabilities and the disclosure of contingencies at the date of these financial statements, as well as the reported amounts of revenues and expenses during the reporting period.

Although our estimates contemplate current and expected future conditions, as applicable, it is reasonably possible that actual conditions could differ from our expectations, which could materially affect our results of operations and financial position. As a result, our accounting estimates and assumptions may change significantly over time.

For interim unaudited, consolidated financial statement purposes, we provide for accruals under our various company-sponsored employee benefit plans for each three month period based on one quarter of the estimated annual expense.

NOTE 2. RECENT ACCOUNTING PRONOUNCEMENTS

Adoption of New Accounting Standards

Accounting pronouncements adopted during the periods covered by the unaudited, consolidated financial statements did not have a material impact on our consolidated financial position, results of operations or cash flows. For accounting standards adopted in the period ended March 31, 2021, refer to note 1 to our audited, consolidated financial statements in our Annual Report on Form 10-K for the year ended December 31, 2021.

Accounting Standards Issued But Not Yet Effective

Accounting pronouncements issued before, but not effective until after, March 31, 2022, are not expected to have a material impact on our consolidated financial position, results of operations or cash flows.

NOTE 3. REVENUE RECOGNITION

Revenue Recognition

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

Disaggregation of Revenue

	Three Months Ended March 31,	
	2022	2021
Revenue:		
Next Day Air	$ 2,594	$ 2,331
Deferred	1,420	1,260
Ground	11,110	10,419
U.S. Domestic Package	15,124	14,010
Domestic	851	928
Export	3,778	3,493
Cargo & Other	247	186
International Package	4,876	4,607
Forwarding	2,589	2,072
Logistics	1,251	1,104
Freight	—	767
Other	538	348
Supply Chain Solutions	4,378	4,291
Consolidated revenue	$ 24,378	$ 22,908

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

Performance Obligations

A performance obligation is a promise in a contract to transfer a distinct good or service to the customer, and is the basis of revenue recognition in accordance with GAAP. To determine the proper revenue recognition method for contracts, we evaluate whether two or more contracts should be combined and accounted for as a single contract, and whether the combined or single contract should be accounted for as more than one performance obligation. This evaluation requires judgment, and the decision to combine a group of contracts or separate the combined or single contract into multiple performance obligations could change the amount of revenue and profit recorded in a given period.

Within most of our contracts, the customer contracts with us to provide distinct services, such as transportation services. The vast majority of our contracts with customers for transportation services include only one performance obligation; the transportation services themselves. However, if a contract is separated into more than one performance obligation, we allocate the total transaction price to each performance obligation based on the estimated relative standalone selling prices of the promised goods or services underlying each performance obligation. We frequently sell standard transportation services with observable standalone sales prices. In these instances, the observable standalone sales are used to determine the standalone selling price.

In certain business units, such as Logistics, we sell customized, customer-specific solutions in which we integrate a complex set of tasks and components into a single capability (even if that single capability results in the delivery of multiple units). Hence, the entire contract is accounted for as one performance obligation. In these cases, we typically use the expected cost plus a margin approach to estimate the standalone selling price of each performance obligation.

Satisfaction of Performance Obligations

We generally recognize revenue over time as we perform the services in the contract because of the continuous transfer of control to the customer. Our customers receive the benefit of our services as the goods are transported from one location to another. Further, if we were unable to complete delivery to the final location, another entity would not need to reperform the transportation service already performed.

As control transfers over time, revenue is recognized based on the extent of progress towards completion of the performance obligation. The selection of the method to measure progress towards completion requires judgment and is based on the nature of the products or services to be provided. We use the cost-to-cost measure of progress for our package delivery contracts because it best depicts the transfer of control to the customer which occurs as we incur costs on our contracts. Under the cost-to-cost measure of progress, the extent of progress towards completion is measured based on the ratio of costs incurred to date to the total estimated costs at completion of the performance obligation. Revenues, including ancillary or accessorial fees and reductions for estimated customer incentives, are recorded proportionally as costs are incurred. Costs to fulfill include labor and other direct costs and an allocation of indirect costs. For our freight forwarding contracts, an output method of progress based on time-in-transit is utilized as the timing of costs incurred does not best depict the transfer of control to the customer. In our Logistics business, we have a right to consideration from customers in an amount that corresponds directly with the value to the customers of our performance completed to date, and as such, we recognize revenue in the amount to which we have a right to invoice the customer.

Variable Consideration

It is common for our contracts to contain customer incentives, guaranteed service refunds or other provisions that can either increase or decrease the transaction price. These variable amounts are generally dependent upon achievement of certain incentive tiers or performance metrics. We estimate variable consideration at the most likely amount to which we expect to be entitled. We include estimated amounts of revenue, which may be reduced by incentives or other contract provisions, in the transaction price to the extent it is probable that a significant reversal of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is resolved. Our estimates of variable consideration and determination of whether to include estimated amounts in the transaction price are based on an assessment of anticipated customer spending and all information (historical, current and forecasted) that is reasonably available to us.

Contract Modifications

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

Payment Terms

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

Principal vs. Agent Considerations

In our transportation businesses, we utilize independent contractors and third-party carriers in the performance of some transportation services. GAAP requires us to evaluate, using a control model, whether our businesses themselves promise to transfer services to the customer (as the principal) or to arrange for services to be provided by another party (as the agent). Based on our evaluation of the control model, we determined that all of our major businesses act as the principal rather than the agent within their revenue arrangements. Revenue and the associated purchased transportation costs are both reported on a gross basis within our statements of consolidated income.

Accounts Receivable, Net

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

Our allowance for credit losses as of March 31, 2022 and December 31, 2021 was $136 and $128 million, respectively. Amounts for credit losses charged to expense, before recoveries, during the three months ended March 31, 2022 and 2021 were $54 and $41 million, respectively.

Contract Assets and Liabilities

Contract assets include billed and unbilled amounts resulting from in-transit packages, as we have an unconditional right to payment only once all performance obligations have been completed (i.e. packages have been delivered) and our right to payment is not solely based on the passage of time. Amounts may not exceed their net realizable value. Contract assets are generally classified as current and the full balance is converted each quarter based on the short-term nature of the transactions.

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

Contract assets related to in-transit packages were $336 and $304 million as of March 31, 2022 and December 31, 2021, respectively, net of deferred revenue related to in-transit packages of $359 and $314 million as of March 31, 2022 and December 31, 2021, respectively. Contract assets are included within *Other current assets* in the consolidated balance sheets. Short-term contract liabilities related to advance payments from customers were $10 and $27 million as of March 31, 2022 and December 31, 2021, respectively. Short-term contract liabilities are included within *Other current liabilities* in the consolidated balance sheets. Long-term contract liabilities related to advance payments from customers were $26 and $25 million as of March 31, 2022 and December 31, 2021, respectively. Long-term contract liabilities are included within *Other Non-Current Liabilities* in the consolidated balance sheets.

NOTE 4. STOCK-BASED COMPENSATION

We issue share-based awards under various incentive compensation plans, including non-qualified and incentive stock options, stock appreciation rights, restricted stock and stock units ("RSUs") and restricted performance shares and performance units ("RPUs", collectively with RSUs, "Restricted Units"). Upon vesting, Restricted Units result in the issuance of the equivalent number of UPS class A common shares after required tax withholdings. Dividends accrued on Restricted Units are reinvested in additional Restricted Units at each dividend payable date and are subject to the same vesting and forfeiture conditions as the underlying Restricted Units upon which they are earned.

Our primary equity compensation programs are the UPS Management Incentive Award program (the "MIP"), the UPS Long-Term Incentive Performance Award program (the "LTIP") and the UPS Stock Option program. We also maintain an employee stock purchase plan which allows eligible employees to purchase shares of UPS class A common stock at a discount. Our matching contributions to our primary employee defined contribution savings plan are made in shares of UPS class A common stock.

Management Incentive Award Program ("MIP")

RPUs issued under the MIP vest one year following the grant date based on continued employment with the Company (except in the case of death, disability or retirement, in which case immediate vesting occurs). The grant value is expensed on a straight-line basis (less estimated forfeitures) over the requisite service period (except in the case of death, disability or retirement, in which case immediate expensing occurs).

Based on the date of Compensation Committee approval of the 2021 MIP award, we determined the award measurement dates to be February 9, 2022 (for U.S.-based employees and executive management) and March 21, 2022 (for international employees). The RPUs issued under the MIP were valued for stock compensation expense purposes using the closing New York Stock Exchange ("NYSE") prices of $225.07 and $218.56 on those dates.

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

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

The performance targets are equally weighted between adjusted earnings per share and adjusted cumulative free cash flow. The actual number of RPUs earned is subject to adjustment based on total shareholder return relative to the Standard & Poors 500 Index ("S&P 500"). We determine the grant date fair value of the RPUs using a Monte Carlo model and recognize compensation expense (less estimated forfeitures) ratably over the vesting period, based on the number of awards expected to be earned.

Based on the date of Compensation Committee approval of the 2022 LTIP award performance targets, we determined March 23, 2022 to be the award measurement date and the target RPUs awarded were valued at $230.67.

The weighted-average assumptions used and the weighted-average fair values of the LTIP awards granted in 2022 and 2021 are as follows:

	2022	2021
Risk-free interest rate	2.29 %	0.19 %
Expected volatility	31.90 %	30.70 %
Weighted-average fair value of RPUs granted	$ 230.67	$ 168.05
Share payout	107.50 %	102.39 %

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

Non-Qualified Stock Options

We grant non-qualified stock options to a limited group of eligible senior management employees under the UPS Stock Option program. Stock option awards vest over a five-year period with approximately 20% of the award vesting at each anniversary of the grant date (except in the case of death, disability or retirement, in which case immediate vesting occurs). The option grants expire 10 years after the date of the grant. In the first quarter of 2022, we granted 0.1 million stock options at an exercise price of $214.58, which was the NYSE closing price on the date of grant.

The fair value of each option grant is estimated using the Black-Scholes option pricing model. The weighted-average assumptions used and the weighted-average fair values of options granted in 2022 and 2021 are as follows:

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

Pre-tax compensation expense for share-based awards recognized in *Compensation and benefits* on the statements of consolidated income for the three months ended March 31, 2022 and 2021 was $386 and $315 million, respectively.

NOTE 5. CASH AND INVESTMENTS

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

	Cost	Unrealized Gains	Unrealized Losses	Estimated Fair Value
March 31, 2022:				
Current trading marketable securities:				
Equity securities	$ 2	$ —	$ —	$ 2
Total trading marketable securities	2	—	—	2
Current available-for-sale securities:				
U.S. government and agency debt securities	203	—	(4)	199
Mortgage and asset-backed debt securities	6	—	—	6
Corporate debt securities	125	—	(3)	122
U.S. state and local municipal debt securities	5	—	—	5
Non-U.S. government debt securities	3	—	—	3
Total available-for-sale marketable securities	342	—	(7)	335
Total current marketable securities	$ 344	$ —	$ (7)	$ 337

	Cost	Unrealized Gains	Unrealized Losses	Estimated Fair Value
December 31, 2021:				
Current trading marketable securities:				
Equity securities	$ 2	$ —	$ —	$ 2
Total trading marketable securities	2	—	—	2
Current available-for-sale securities:				
U.S. government and agency debt securities	199	2	(1)	200
Mortgage and asset-backed debt securities	7	—	—	7
Corporate debt securities	121	—	—	121
U.S. state and local municipal debt securities	5	—	—	5
Non-U.S. government debt securities	3	—	—	3
Total available-for-sale marketable securities	335	2	(1)	336
Total current marketable securities	$ 337	$ 2	$ (1)	$ 338

Investment Impairments

We have concluded that no material impairment losses existed as of March 31, 2022. In making this determination, we considered the financial condition and prospects of each issuer, the magnitude of the losses compared with the cost, the probability that we will be unable to collect all amounts due according to the contractual terms of the security, the credit rating of the security and our ability and intent to hold these investments until the anticipated recovery in market value occurs.

Maturity Information

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

	Cost	Estimated Fair Value
Due in one year or less	$ 34	$ 34
Due after one year through three years	307	300
Due after three years through five years	1	1
Due after five years	—	—
	342	335
Equity securities	2	2
	$ 344	$ 337

Non-Current Investments and Restricted Cash

We hold an investment in a variable life insurance policy to fund benefits for the UPS Excess Coordinating Benefit Plan. The investment had a fair market value of $21 million and $23 million as of March 31, 2022 and December 31, 2021, respectively. Changes in fair value are recognized in *Investment income and other* in the statements of consolidated income. Additionally, we held cash in escrow related to the acquisition and disposition of certain assets of $1 million and $3 million as of March 31, 2022 and December 31, 2021, respectively. These amounts are classified as *Investments and Restricted Cash* in the consolidated balance sheets.

A reconciliation of cash and cash equivalents and restricted cash from the consolidated balance sheets to the statements of consolidated cash flows is shown below (in millions):

	March 31, 2022	December 31, 2021	March 31, 2021
Cash and cash equivalents	$ 12,208	$ 10,255	$ 7,731
Restricted cash	—	—	—
Total cash, cash equivalents and restricted cash	$ 12,208	$ 10,255	7,731

Fair Value Measurements

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

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

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance
March 31, 2022:				
Marketable Securities:				
U.S. government and agency debt securities	$ 199	$ —	$ —	$ 199
Mortgage and asset-backed debt securities	—	6	—	6
Corporate debt securities	—	122	—	122
U.S. state and local municipal debt securities	—	5	—	5
Equity securities	—	2	—	2
Non-U.S. government debt securities	—	3	—	3
Total marketable securities	199	138	—	337
Other non-current investments	21	—	—	21
Total	$ 220	$ 138	$ —	$ 358
December 31, 2021:				
Marketable Securities:				
U.S. government and agency debt securities	$ 200	$ —	$ —	$ 200
Mortgage and asset-backed debt securities	—	7	—	7
Corporate debt securities	—	121	—	121
U.S. state and local municipal debt securities	—	5	—	5
Equity securities	—	2	—	2
Non-U.S. government debt securities	—	3	—	3
Total marketable securities	200	138	—	338
Other non-current investments	23	—	—	23
Total	$ 223	$ 138	$ —	$ 361

There were no transfers of investments between Level 1 and Level 2 during the three months ended March 31, 2022 or 2021.

NOTE 6. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment as of March 31, 2022 and December 31, 2021 consisted of the following (in millions):

	2022	2021
Vehicles	$ 10,083	$ 10,018
Aircraft	22,286	21,973
Land	2,135	2,140
Buildings	5,865	5,802
Building and leasehold improvements	5,004	5,010
Plant equipment	15,715	15,650
Technology equipment	2,848	2,798
Construction-in-progress	1,474	1,418
	65,410	64,809
Less: Accumulated depreciation and amortization	(31,815)	(31,334)
Property, Plant and Equipment, Net	$ 33,595	$ 33,475

Property, plant and equipment purchased on account was $511 and $248 million as of March 31, 2022 and December 31, 2021, respectively.

We continually monitor our aircraft fleet utilization in light of current and projected volume levels, aviation fuel prices and other factors. Additionally, we monitor all other property, plant and equipment categories for any indicators that the carrying value of the assets may not be recoverable. There were no impairment charges during the three months ended March 31, 2022. We recorded impairment charges of $24 million during the three months ended March 31, 2021, due to the reevaluation of certain facility projects.

NOTE 7. EMPLOYEE BENEFIT PLANS

Company-Sponsored Benefit Plans

Information about the net periodic benefit (income) cost for our company-sponsored pension and postretirement benefit plans for the three months ended March 31, 2022 and 2021 is as follows (in millions):

	U.S. Pension Benefits		U.S. Postretirement Medical Benefits		International Pension Benefits	
	2022	2021	2022	2021	2022	2021
Three Months Ended March 31:						
Service cost	$ 506	$ 553	$ 8	$ 7	$ 18	$ 19
Interest cost	488	488	20	19	12	10
Expected return on assets	(820)	(846)	(1)	(2)	(20)	(17)
Amortization of prior service cost	23	33	—	2	—	—
Actuarial (gain) loss	—	(3,290)	—	—	—	—
Settlement and curtailment (gain) loss	—	—	—	—	(33)	—
Net periodic benefit (income) cost	$ 197	$ (3,062)	$ 27	$ 26	$ (23)	$ 12

The components of net periodic benefit (income) cost other than current service cost are presented within *Investment income and other* in the statements of consolidated income.

During the first quarter of 2022, we amended the UPS Canada Ltd. Retirement Plan to cease future benefit accruals effective December 31, 2023. We remeasured plan assets and pension benefit obligations for this plan as of March 31, 2022, resulting in a curtailment gain of $33 million ($24 million after-tax). The gain is included in *Investment income and other* in the statements of consolidated income for the quarter ended March 31, 2022.

During the first three months of 2022, we contributed $31 and $14 million to our company-sponsored pension and U.S. postretirement medical benefit plans, respectively. We expect to contribute approximately $2.0 billion and $264 million over the remainder of the year to our pension and U.S. postretirement medical benefit plans, respectively.

Multiemployer Benefit Plans

We contribute to a number of multiemployer defined benefit and health and welfare plans under the terms of collective bargaining agreements that cover our union-represented employees. Our current collective bargaining agreements set forth the annual contribution increases allotted to the plans that we participate in, and we are in compliance with these contribution rates. These limitations on annual contribution rates will remain in effect throughout the terms of the existing collective bargaining agreements.

As of March 31, 2022 and December 31, 2021, we had $828 and $830 million, respectively, recorded in *Other Non-Current Liabilities* on our consolidated balance sheets and $8 million as of March 31, 2022 and December 31, 2021, recorded in *Other current liabilities* on our consolidated balance sheets associated with our previous withdrawal from the New England Teamsters and Trucking Industry Pension Fund. This liability is payable in equal monthly installments over a remaining term of approximately 41 years. Based on the borrowing rates currently available to us for long-term financing of a similar maturity, the fair value of this withdrawal liability as of March 31, 2022 and December 31, 2021 was $849 and $963 million, respectively. We utilized Level 2 inputs in the fair value hierarchy of valuation techniques to determine the fair value of this liability.

UPS was a contributing employer to the Central States Pension Fund (“CSPF”) until 2007 at which time UPS withdrew from the CSPF and paid a $6.1 billion withdrawal liability to satisfy our allocable share of unfunded vested benefits. Under a collective bargaining agreement with the International Brotherhood of Teamsters (“IBT”), UPS agreed to provide coordinating benefits in the UPS/IBT Full Time Employee Pension Plan (“UPS/IBT Plan”) for UPS participants whose last employer was UPS and who had not retired as of January 1, 2008 (“the UPS Transfer Group”) in the event that benefits are lawfully reduced by the CSPF in the future consistent with the terms of our withdrawal agreement with the CSPF. Under this withdrawal agreement, benefits to the UPS Transfer Group cannot be reduced without our consent and can only be reduced in accordance with applicable law. The financial crisis of 2008 created extensive asset losses at the CSPF, contributing to the plan’s projected insolvency, at which time benefits would be reduced to the legally permitted Pension Benefit Guaranty Corporation ("PBGC") limits, triggering the coordination of benefits provision in the collective bargaining agreement.

In 2014, Congress passed the Multiemployer Pension Reform Act (“MPRA”). This change in law for the first time permitted multiemployer pension plans to reduce benefit payments to retirees, subject to specific guidelines in the statute and government approval. In 2015, the CSPF submitted a proposed pension benefit reduction plan to the U.S. Department of the Treasury (“Treasury”). In 2016, Treasury rejected the proposed plan submitted by the CSPF. In light of its financial difficulties, the CSPF had stated that it believed a legislative solution to its funded status would be necessary or that it would become insolvent in 2025, at which time benefits would be reduced to the applicable PBGC benefit levels.

We account for the potential obligation to pay coordinating benefits to the UPS Transfer Group under ASC 715, which requires us to provide a best estimate of various actuarial assumptions, including the eventual outcome of this matter, in measuring our pension benefit obligation at the December 31st measurement date and at interim periods when a significant event occurs. ASC 715 does not permit anticipation of changes in law when developing a best estimate.

At the December 31, 2020 measurement date, we developed our best estimate for the potential obligation to pay coordinating benefits to the UPS Transfer Group using a deterministic cash flow projection that reflected estimated CSPF cash flows and investment earnings, the lack of legislative action having been taken, the expectation of payment of guaranteed benefits by the PBGC and the lack of a benefit reduction plan under MPRA having been filed by the CSPF. As a result, our best estimate at that time of the obligation for coordinating benefits that may have been required to be directly provided by the UPS/IBT Plan to the UPS Transfer Group was $5.5 billion.

In March 2021, the American Rescue Plan Act (“ARPA”) was enacted into law. The ARPA contains provisions that allow for qualifying financially distressed multiemployer pension plans to apply for special financial assistance ("SFA") from the PBGC, which will be funded by Treasury. Following approval of an application, a qualifying multiemployer pension plan will receive a lump sum payment to enable it to continue paying unreduced benefits through 2051. The multiemployer plan is not obligated to repay the SFA. The ARPA is intended to prevent both the PBGC and certain financially distressed multiemployer pension plans, including the CSPF, from becoming insolvent through 2051. On July 9, 2021, the PBGC issued interim final regulations implementing the SFA program established under the ARPA. On April 28, 2022, the CSPF submitted an application to the PBGC for SFA. The PBGC has up to 120 days from the date of submission to review the application.

The passage of the ARPA and the expected receipt of SFA by the CSPF currently suspends our obligation to provide additional coordinating benefits to the UPS Transfer Group through 2051. These matters also triggered a plan remeasurement under ASC 715. Accordingly, we remeasured the plan assets and pension benefit obligation of the UPS/IBT Plan as of March 31, 2021 resulting in an actuarial gain of $6.4 billion, reflecting a reduction of the liability for coordinating benefits of $5.1 billion and a gain from other updated actuarial assumptions of $1.3 billion.

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

Collective Bargaining Agreements

We have approximately 327,000 employees employed under a national master agreement and various supplemental agreements with local unions affiliated with the IBT. These agreements run through July 31, 2023.

We have approximately 3,200 pilots who are employed under a collective bargaining agreement with the Independent Pilots Association ("IPA"). This collective bargaining agreement becomes amendable September 1, 2023.

We have approximately 1,700 airline mechanics who are covered by a collective bargaining agreement with Teamsters Local 2727 which becomes amendable November 1, 2023. In addition, approximately 3,300 of our auto and maintenance mechanics who are not employed under agreements with the IBT are employed under collective bargaining agreements with the International Association of Machinists and Aerospace Workers (“IAM”). The collective bargaining agreement with the IAM runs through July 31, 2024.

NOTE 8. GOODWILL AND INTANGIBLE ASSETS

The following table indicates the allocation of goodwill as of March 31, 2022 and December 31, 2021 (in millions):

	U.S. Domestic Package	International Package	Supply Chain Solutions	Consolidated
December 31, 2021:	$ 847	$ 403	$ 2,442	$ 3,692
Acquired	—	—	—	—
Currency / Other	—	(7)	(17)	(24)
March 31, 2022:	$ 847	$ 396	$ 2,425	$ 3,668

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

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

	Gross Carrying Amount	Accumulated Amortization	Net Carrying Value
March 31, 2022:			
Capitalized software	$ 4,950	$ (3,315)	$ 1,635
Licenses	43	(18)	25
Franchise rights	118	(37)	81
Customer relationships	727	(423)	304
Trade name	67	(3)	64
Trademarks, patents and other	157	(5)	152
Amortizable intangible assets	$ 6,062	$ (3,801)	$ 2,261
Indefinite-lived intangible assets	204	—	204
Total Intangible Assets, Net	$ 6,266	$ (3,801)	$ 2,465
December 31, 2021:			
Capitalized software	$ 4,910	$ (3,275)	$ 1,635
Licenses	58	(27)	31
Franchise rights	119	(37)	82
Customer relationships	733	(408)	325
Trade name	67	(1)	66
Trademarks, patents and other	158	(15)	143
Amortizable intangible assets	$ 6,045	$ (3,763)	$ 2,282
Indefinite-lived intangible assets	204	—	204
Total Intangible Assets, Net	$ 6,249	$ (3,763)	$ 2,486

As of March 31, 2022, we had a trade name with a carrying value of $200 million and licenses with a current carrying value of $4 million, which are deemed to be indefinite-lived intangible assets and are included in the table above. Our annual impairment testing of these assets indicated that the fair value of the trade name, which is associated with our truckload brokerage business, remained greater than its carrying value as of our July 1 testing date, although this excess was less than 10 percent. There were no events or changes in circumstances during the first quarter of 2022 that would indicate the carrying amount of our indefinite-lived intangible assets may be impaired as of the date of this report.

Impairment tests for finite-lived intangible assets are performed when a triggering event occurs that may indicate that the carrying value of the intangible asset may not be recoverable. There were no impairment charges for finite-lived intangible assets during the three months ended March 31, 2022. We recorded $6 million in impairment charges for finite-lived intangible assets during the three months ended March 31, 2021.

NOTE 9. DEBT AND FINANCING ARRANGEMENTS

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

	Principal Amount	Maturity	Carrying Value 2022	Carrying Value 2021
Commercial paper	$ —		$ —	$ —
Fixed-rate senior notes:				
2.450% senior notes	1,000	2022	1,002	1,010
2.350% senior notes	600	2022	600	600
2.500% senior notes	1,000	2023	999	998
2.800% senior notes	500	2024	498	498
2.200% senior notes	400	2024	399	399
3.900% senior notes	1,000	2025	996	996
2.400% senior notes	500	2026	499	498
3.050% senior notes	1,000	2027	994	994
3.400% senior notes	750	2029	746	746
2.500% senior notes	400	2029	397	397
4.450% senior notes	750	2030	744	744
6.200% senior notes	1,500	2038	1,484	1,484
5.200% senior notes	500	2040	494	494
4.875% senior notes	500	2040	491	491
3.625% senior notes	375	2042	368	368
3.400% senior notes	500	2046	492	492
3.750% senior notes	1,150	2047	1,137	1,137
4.250% senior notes	750	2049	743	743
3.400% senior notes	700	2049	688	688
5.300% senior notes	1,250	2050	1,231	1,231
Floating-rate senior notes:				
Floating-rate senior notes	400	2022	400	400
Floating-rate senior notes	500	2023	500	500
Floating-rate senior notes	1,039	2049-2067	1,027	1,027
Debentures:				
7.620% debentures	276	2030	280	280
Pound Sterling Notes:				
5.500% notes	87	2031	86	89
5.125% notes	596	2050	566	583
Euro Senior Notes:				
0.375% senior notes	776	2023	774	791
1.625% senior notes	776	2025	773	791
1.000% senior notes	554	2028	551	564
1.500% senior notes	554	2032	551	564
Canadian senior notes:				
2.125% senior notes	601	2024	600	585
Finance lease obligations	448	2022-2062	448	408
Facility notes and bonds	320	2029-2045	320	320
Other debt	3	2022-2025	3	5
Total debt	$ 22,055		21,881	21,915
Less: current maturities			(2,141)	(2,131)
Long-term debt			$ 19,740	$ 19,784

Commercial Paper

We are authorized to borrow up to $10.0 billion under a U.S. commercial paper program and €5.0 billion (in a variety of currencies) under a European commercial paper program. As of March 31, 2022, we had no outstanding balances under our commercial paper programs.

Debt Classification

We have classified certain floating-rate senior notes that are redeemable at the option of the note holder as long-term liabilities on our consolidated balance sheets, due to our intent and ability to refinance the debt if the put option is exercised.

Reference Rate Reform

Our floating-rate senior notes with maturities ranging from 2049 through 2067 bear interest at rates that reference the London Interbank Offer Rate ("LIBOR") for U.S. Dollars. As part of a broader program of reference rate reform, it is expected that U.S. Dollar LIBOR rates will cease to be published after June 2023. We are currently working to transition these notes to an alternative reference rate, and we anticipate that the Secured Overnight Financing Rate ("SOFR") will be adopted in accordance with recommendations of the Alternative Reference Rates Committee.

Sources of Credit

We maintain two credit agreements with a consortium of banks. The first of these agreements provides revolving credit facilities of $1.0 billion, and expires on December 6, 2022. Amounts outstanding under this agreement bear interest at a periodic fixed rate equal to the term SOFR rate, plus0.10% per annum and an applicable margin based on our then-current credit rating. The applicable margin from the credit pricing grid as of March 31, 2022 was 0.875%. Alternatively, a fluctuating rate of interest equal to the highest of (1) the rate of interest last quoted by The Wall Street Journal as the prime rate in the United States; (2) the Federal Funds effective rate plus 0.50%; or (3) the Adjusted Term SOFR Rate for a one-month interest period plus 1.00%, may be used at our discretion.

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

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

Debt Covenants

Our existing debt instruments and credit facilities subject us to certain financial covenants. As of March 31, 2022, and for all prior periods presented, we have satisfied these financial covenants. These covenants limit the amount of secured indebtedness that we may incur, and limit the amount of attributable debt in sale-leaseback transactions, to 10% of net tangible assets. As of March 31, 2022, 10% of net tangible assets was equivalent to $4.7 billion and we had no covered sale-leaseback transactions or secured indebtedness outstanding. We do not expect these covenants to have a material impact on our financial condition or liquidity.

Fair Value of Debt

Based on the borrowing rates currently available to us for long-term debt with similar terms and maturities, the fair value of long-term debt, including current maturities, was approximately $23.3 and $25.1 billion as of March 31, 2022 and December 31, 2021, respectively. We utilized Level 2 inputs in the fair value hierarchy of valuation techniques to determine the fair value of all of our debt instruments.

NOTE 10. LEASES

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

We recognize a right-of-use ("ROU") asset and lease obligation for all leases greater than twelve months. Some of our leases contain both lease and non-lease components, which we have elected to treat as a single lease component. We have also elected not to recognize leases that have an original lease term, including reasonably certain renewal or purchase options, of twelve months or less in our consolidated balance sheets for all classes of underlying assets. Lease costs for short-term leases are recognized on a straight-line basis over the lease term.

Determining the lease term and amount of lease payments to include in the calculation of the ROU asset and lease obligation for leases containing options requires the use of judgment to determine whether the exercise of an option is reasonably certain and whether the optional period and payments should be included in the calculation of the associated ROU asset and lease obligation. In making this determination, we consider all relevant economic factors that would compel us to exercise or not exercise an option.

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

When available, we use the rate implicit in the lease to discount lease payments; however, the rate implicit in the lease is not readily determinable for substantially all of our leases. For these leases, we use an estimate of our incremental borrowing rate to discount lease payments based on information available at lease commencement. The incremental borrowing rate is derived using multiple inputs including our credit rating, the impact of full collateralization, lease term and denominated currency. The remaining lease terms vary from 1 month to 138 years.

Aircraft

In addition to the aircraft that we own, we have leases for 317 aircraft. Of these leased aircraft, 21 are classified as finance leases, 18 are classified as operating leases and the remaining 278 are classified as short-term leases. A majority of the obligations associated with the aircraft classified as finance leases have been legally defeased. A majority of our long-term aircraft operating leases are operated by a third party to handle package and cargo volume in geographic regions where, due to government regulations, we are restricted from operating an airline.

In order to meet customers' needs, we charter aircraft to handle package and cargo volume on certain international trade lanes and domestic routes. Due to the nature of these agreements, primarily being that either party can cancel the agreement with short notice, we have classified these as short-term leases. Additionally, the lease payments associated with these charter agreements are variable in nature based on the number of hours flown.

Real Estate

We have operating and finance leases for package centers, airport facilities, warehouses, office space and expansion facilities utilized during peak shipping periods. Many of our leases contain charges for common area maintenance or other expenses that are updated based on landlord estimates. Due to this variability, the cash flows associated with these charges are not included in the minimum lease payments used in determining the ROU asset and associated lease obligation.

Some of our real estate leases contain options to renew or extend the lease or terminate the lease before the expiration date. These options are factored into the determination of the lease term and lease payments when their exercise is considered to be reasonably certain.

We also enter into real estate leases that contain lease incentives, such as tenant improvement allowances or move-in allowances, that are received or receivable at lease commencement. These incentives reduce lease payments for classification purposes and reduce the initial ROU asset. When lease incentives are receivable at lease commencement, they also reduce the initial lease obligation.

From time to time, we enter into leases with the intention of purchasing the property, either through purchase options with a fixed price or a purchase agreement negotiated contemporaneously with the lease agreement. We classify these leases as finance leases and include the purchase date and purchase price in the determination of the lease term and lease payments, respectively, when the option to exercise or purchase is reasonably certain.

Transportation equipment and other equipment

We enter into both long-term and short-term leases for transportation equipment to supplement our capacity or meet contractual demands. Some of these assets are leased on a month-to-month basis and the leases can be terminated without penalty. The lease term for these types of leases is determined by the length of the underlying customer contract or based on the judgment of the business unit. We also enter into multi-year leases for trailers to increase capacity during periods of high demand, which are typically only used for 90-120 days during the year. These leases are treated as short-term as the cumulative right of use is less than 12 months over the term of the contract.

The remainder of our leases are primarily related to equipment used in our air operations, vehicles required to meet capacity needs during periods of higher demand for our shipping services, technology equipment and office equipment used in our facilities.

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

The components of lease expense for the three months ended March 31, 2022 and 2021 were as follows (in millions):

	2022	2021
Operating lease costs	$ 183	$ 175
Finance lease costs:		
Amortization of assets	28	23
Interest on lease liabilities	4	4
Total finance lease costs	32	27
Variable lease costs	68	65
Short-term lease costs	302	279
Total lease costs	$ 585	$ 546

In addition to the lease costs disclosed in the table above, we monitor all lease categories for any indicators that the carrying value of the assets may not be recoverable. There were no impairments recognized during the three months ended March 31, 2022 and 2021.

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

	March 31, 2022	December 31, 2021
Operating Leases:		
Operating lease right-of-use assets	$ 3,481	$ 3,562
Current maturities of operating leases	$ 579	$ 580
Non-current operating leases	2,970	3,033
Total operating lease obligations	$ 3,549	$ 3,613
Finance Leases:		
Property, plant and equipment, net	$ 1,134	$ 1,225
Current maturities of long-term debt, commercial paper and finance leases	$ 140	$ 129
Long-term debt and finance leases	308	279
Total finance lease obligations	$ 448	$ 408
Weighted average remaining lease term (in years):		
Operating leases	11.5	11.7
Finance leases	7.6	8.0
Weighted average discount rate:		
Operating leases	1.95 %	1.94 %
Finance leases	2.71 %	2.79 %

Supplemental cash flow information related to leases is as follows (in millions):

	Three Months Ended March 31,	
	2022	2021
Cash paid for amounts included in measurement of obligations:		
Operating cash flows from operating leases	$ 176	$ 171
Operating cash flows from finance leases	1	1
Financing cash flows from finance leases	18	13
Right-of-use assets obtained in exchange for lease obligations:		
Operating leases	$ 119	$ 174
Finance leases	59	23

Maturities of lease obligations as of March 31, 2022 are as follows (in millions):

	Finance Leases	Operating Leases
2022	$ 137	$ 478
2023	76	595
2024	52	497
2025	39	441
2026	33	395
Thereafter	197	1,663
Total lease payments	534	4,069
Less: Imputed interest	(86)	(520)
Total lease obligations	448	3,549
Less: Current obligations	(140)	(579)
Long-term lease obligations	$ 308	$ 2,970

As of March 31, 2022, we had $347 million of additional leases which had not commenced. These leases will commence between 2022 and 2023 when we are granted access to the property, such as when leasehold improvements are completed by the lessor or a certificate of occupancy is obtained.

NOTE 11. LEGAL PROCEEDINGS AND CONTINGENCIES

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

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

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

Judicial Proceedings

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

Other Matters

In October 2015, the Department of Justice ("DOJ") informed us of an industry-wide inquiry into the transportation of mail under the United States Postal Service International Commercial Air contracts. We cooperated with the DOJ in connection with its inquiry and, in the first quarter of 2022, resolved this matter for an immaterial amount.

In August 2016, Spain’s National Markets and Competition Commission ("CNMC") announced an investigation into 10 companies in the commercial delivery and parcel industry, including UPS, related to alleged nonaggression agreements to allocate customers. In May 2017, we received a Statement of Objections issued by the CNMC. In July 2017, we received a Proposed Decision from the CNMC. On March 8, 2018, the CNMC adopted a final decision, finding an infringement and imposing an immaterial fine on UPS. We appealed the decision and, in September 2018, obtained a suspension of the implementation of the decision (including payment of the fine). The appeal is pending. We do not believe that any loss from this matter would have a material impact on our operations or financial condition. We are vigorously defending ourselves and believe that we have a number of meritorious legal defenses. There are also unresolved questions of law and fact that could be important to the ultimate resolution of this matter.

In November 2021, the Environmental Protection Agency (the "EPA") sent us an information request related to hazardous waste regulatory compliance at certain of our facilities. The EPA has indicated that it is investigating potential recordkeeping violations of the Resource Conservation and Recovery Act at those facilities. We are cooperating with the EPA. An immaterial accrual with respect to this matter is included in our consolidated balance sheets. We do not believe that any loss from this matter would have a material impact on our operations or financial condition, although we are unable to predict what action, if any, might be taken in the future by the EPA as a result of this request.

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

NOTE 12. SHAREOWNERS' EQUITY

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

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

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

	2022		2021	
	Shares	Dollars	Shares	Dollars
Class A Common Stock:				
Balance at beginning of period	138	$ 2	147	$ 2
Common stock purchases	—		—	—
Stock award plans	4		4	—
Common stock issuances	1		1	—
Conversions of class A to class B common stock	(3)		(4)	—
Class A shares outstanding at end of period	140	$ 2	148	$ 2
Class B Common Stock:				
Balance at beginning of period	732	$ 7	718	$ 7
Common stock purchases	(1)		—	—
Conversions of class A to class B common stock	3		4	—
Class B shares outstanding at end of period	734	$ 7	722	$ 7
Additional Paid-In Capital:				
Balance at beginning of period		$ 1,343		$ 865
Common stock purchases		(260)		—
Stock award plans		(35)		30
Common stock issuances		183		154
Balance at end of period		$ 1,231		$ 1,049
Retained Earnings:				
Balance at beginning of period		$ 16,179		$ 6,896
Net income attributable to controlling interests		2,662		4,792
Dividends ($1.52 and $1.02 per share) [(1)]		(1,406)		(938)
Other		(2)		(2)
Balance at end of period		$ 17,433		$ 10,748
Non-Controlling Interests:				
Balance at beginning of period		$ 16		$ 12
Change in non-controlling interest		2		—
Balance at end of period		$ 18		$ 12

[(1)] The dividend per share amount is the same for both class A and class B common stock. Dividends include $122 and $80 million as of March 31, 2022 and 2021, respectively, that were settled in shares of class A common stock.

In August 2021, the Board of Directors approved a share repurchase authorization for $5.0 billion of class A and class B common stock. During the first quarter of 2022, we repurchased 1.2 million shares of class B common stock for $260 million under this program ($254 million in repurchases is reported on the statement of consolidated cash flows due to the timing of settlements). As of March 31, 2022, we had $4.2 billion of our share repurchase authorization available. We anticipate our share repurchases will be approximately $2.0 billion for all of 2022.

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

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

Accumulated Other Comprehensive Income (Loss)

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

Three Months Ended March 31:	**2022**	**2021**
Foreign currency translation gain (loss), net of tax:		
Balance at beginning of period	$ (1,162)	$ (981)
Translation adjustment (net of tax effect of $0 and $30)	(40)	(82)
Balance at end of period	(1,202)	(1,063)
Unrealized gain (loss) on marketable securities, net of tax:		
Balance at beginning of period	(1)	6
Current period changes in fair value (net of tax effect of $(2) and $0)	(6)	(1)
Reclassification to earnings (net of tax effect of $0 and $0)	—	(3)
Balance at end of period	(7)	2
Unrealized gain (loss) on cash flow hedges, net of tax:		
Balance at beginning of period	(17)	(223)
Current period changes in fair value (net of tax effect of $23 and $39)	72	124
Reclassification to earnings (net of tax effect of $(9) and $(3))	(29)	(10)
Balance at end of period	26	(109)
Unrecognized pension and postretirement benefit costs, net of tax:		
Balance at beginning of period	(2,098)	(5,915)
Net actuarial gain (loss) resulting from remeasurements of plan assets and liabilities (net of tax effect of $11 and $1,544)	31	4,901
Reclassification to earnings (net of tax effect of $(3) and $(780))	(7)	(2,475)
Balance at end of period	(2,074)	(3,489)
Accumulated other comprehensive income (loss) at end of period	$ (3,257)	$ (4,659)

Detail of the gains (losses) reclassified from AOCI to the statements of consolidated income for the three months ended March 31, 2022 and 2021 is as follows (in millions):

	Amount Reclassified from AOCI		
Three Months Ended March 31:	**2022**	**2021**	**Affected Line Item in the Income Statement**
Unrealized gain (loss) on marketable securities:			
Realized gain (loss) on sale of securities	$ —	$ 3	Investment income and other
Income tax (expense) benefit	—	—	Income tax expense
Impact on net income	—	3	Net income
Unrealized gain (loss) on cash flow hedges:			
Interest rate contracts	(3)	(2)	Interest expense
Foreign currency exchange contracts	41	15	Revenue
Income tax (expense) benefit	(9)	(3)	Income tax expense
Impact on net income	29	10	Net income
Unrecognized pension and postretirement benefit costs:			
Prior service costs	(23)	(35)	Investment income and other
Remeasurement of benefit obligation	—	3,290	Investment income and other
Curtailment of benefit obligation	33	—	Investment income and other
Income tax (expense) benefit	(3)	(780)	Income tax expense
Impact on net income	7	2,475	Net income
Total amount reclassified for the period	$ 36	$ 2,488	Net income

Deferred Compensation Obligations and Treasury Stock

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

Activity in the deferred compensation program for the three months ended March 31, 2022 and 2021 was as follows (in millions):

	2022		2021	
Three Months Ended March 31:	**Shares**	**Dollars**	**Shares**	**Dollars**
Deferred Compensation Obligations:				
Balance at beginning of period		$ 16		$ 20
Reinvested dividends		—		—
Benefit payments		(4)		(5)
Balance at end of period		$ 12		$ 15
Treasury Stock:				
Balance at beginning of period	—	$ (16)	—	$ (20)
Reinvested dividends	—	—	—	—
Benefit payments	—	4	—	5
Balance at end of period	—	$ (12)	—	$ (15)

NOTE 13. SEGMENT INFORMATION

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

U.S. Domestic Package

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

International Package

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

Supply Chain Solutions

Supply Chain Solutions includes our Forwarding, Logistics, Coyote, Marken, UPS Mail Innovations and other businesses. Our Forwarding, Logistics and UPS Mail Innovations units provide services in more than 200 countries and territories worldwide and include international air and ocean freight forwarding, customs brokerage, distribution and post-sales services, mail and consulting services. Coyote offers truckload brokerage services primarily in the United States. Marken is a global provider of supply chain solutions to the healthcare and life sciences industry, specializing in clinical trials logistics. Other businesses within this segment include The UPS Store, UPS Capital and Roadie. UPS Freight was included within this segment until its divestiture in the second quarter of 2021.

In evaluating financial performance, we focus on operating profit as a segment's measure of profit or loss. Operating profit is before investment income and other, interest expense and income tax expense. Certain expenses are allocated between the segments using activity-based costing methods that require us to make estimates that impact the amount of each expense category that is attributed to each segment. Changes in these estimates would directly impact the expense allocated to each segment, and therefore the operating profit of each reporting segment. We periodically refine our allocation methodologies to reflect changes in our business.

Results of operations for the three months ended March 31, 2022 and 2021 are as follows (in millions):

	Three Months Ended March 31,	
	2022	2021
Revenue:		
U.S. Domestic Package	$ 15,124	$ 14,010
International Package	4,876	4,607
Supply Chain Solutions	4,378	4,291
Consolidated revenue	$ 24,378	$ 22,908
Operating Profit:		
U.S. Domestic Package	$ 1,662	$ 1,359
International Package	1,116	1,085
Supply Chain Solutions	473	321
Consolidated operating profit	$ 3,251	$ 2,765

NOTE 14. EARNINGS PER SHARE

The earnings per share amounts are the same for class A and class B common shares as the holders of each class are legally entitled to equal per share distributions whether through dividends or in liquidation.

The following table sets forth the computation of basic and diluted earnings per share for the three months ended March 31, 2022 and 2021 (in millions, except per share amounts):

	Three Months Ended March 31,	
	2022	2021
Numerator:		
Net income attributable to common shareowners	$ 2,662	$ 4,792
Denominator:		
Weighted average shares	871	867
Vested portion of restricted units	3	5
Denominator for basic earnings per share	874	872
Effect of dilutive securities:		
Restricted units	4	3
Stock options	1	1
Denominator for diluted earnings per share	879	876
Basic earnings per share	$ 3.05	$ 5.50
Diluted earnings per share	$ 3.03	$ 5.47

Diluted earnings per share for the three months ended March 31, 2022 and 2021 excluded the effect of 0.1 and 0.2 million shares of common stock, respectively, that may be issued upon the exercise of employee stock options because such effect would have been antidilutive.

NOTE 15. DERIVATIVE INSTRUMENTS AND RISK MANAGEMENT

Risk Management Policies

Changes in fuel prices, interest rates and foreign currency exchange rates impact our results of operations and we actively monitor these exposures. To manage the impact of these exposures, we may enter into a variety of derivative financial instruments. Our objective is to manage, where it is deemed appropriate to do so, fluctuations in earnings and cash flows associated with changes in foreign currency exchange rates, commodity prices and interest rates. It is our policy and practice to use derivative financial instruments only to the extent necessary to manage exposures. As we use price-sensitive instruments to hedge a certain portion of our existing and anticipated transactions, we expect that any loss in value from those instruments generally would be offset by increases in the value of those hedged transactions. We do not hold or issue derivative financial instruments for trading or speculative purposes.

Credit Risk Management

The forward contracts, swaps and options discussed below contain an element of risk that the counterparties may be unable to meet the terms of the agreements; however, we seek to minimize such risk exposures for these instruments by limiting the counterparties to banks and financial institutions that meet established credit guidelines and by monitoring counterparties to prevent concentrations of credit risk with any single counterparty.

As of March 31, 2022 and December 31, 2021, we had agreements with all of our active counterparties (covering all of our derivative positions) which contained early termination rights and/or zero threshold bilateral collateral provisions whereby cash is required based on the net fair value of derivatives associated with those counterparties.

As of March 31, 2022 and December 31, 2021, we held cash collateral of $253 and $260 million, respectively, under these agreements. This collateral is included in *Cash and cash equivalents* in the consolidated balance sheets and our use of it is not restricted. As of March 31, 2022, we were required to post $2 million of cash collateral with our counterparties. As of December 31, 2021, no collateral was required to be posted with our counterparties.

Events such as a counterparty credit rating downgrade (depending on the ultimate rating level) could also allow us to take additional protective measures such as the early termination of trades. Alternatively, we could be required to provide additional collateral or terminate transactions with certain counterparties in the event of a downgrade of our credit rating. The amount of collateral required would be determined by the net fair value of the associated derivatives with each counterparty. We have not historically incurred, and do not expect to incur in the future, any losses as a result of counterparty default.

Types of Hedges

Commodity Risk Management

Currently, the fuel surcharges that we apply to our domestic and international package services are the primary means of reducing the risk of adverse fuel price changes on our business. In order to mitigate the impact of fuel surcharges imposed on us by outside carriers, we regularly adjust the rates we charge for our freight brokerage services.

Foreign Currency Risk Management

To protect against the reduction in value of forecasted foreign currency cash flows from our international package business, we maintain a foreign currency cash flow hedging program. Our most significant foreign currency exposures relate to the Euro, British Pound Sterling, Canadian Dollar, Chinese Renminbi and Hong Kong Dollar. We hedge portions of our forecasted revenue denominated in foreign currencies with forward contracts. We normally designate and account for these contracts as cash flow hedges of anticipated foreign currency denominated revenue and, therefore, the resulting gains and losses from these hedges are recognized as a component of international package revenue when the underlying sales transactions occur.

We also hedge portions of our anticipated cash settlements of intercompany transactions and interest payments on certain debt subject to foreign currency remeasurement using foreign currency forward contracts. We normally designate and account for these contracts as cash flow hedges of forecasted foreign currency denominated transactions; therefore, the resulting gains and losses from these hedges are recognized as a component of *Investment income and other* when the underlying transactions are subject to currency remeasurement.

We hedge our net investment in certain foreign operations with foreign currency denominated debt instruments. The use of foreign denominated debt as the hedging instrument allows the debt to be remeasured to foreign currency translation adjustment within other comprehensive income to offset the translation risk from those investments. Balances in the foreign currency translation adjustment accounts remain until the sale or substantially complete liquidation of the foreign entity, upon which they are recognized as a component of *Investment income and other*.

Interest Rate Risk Management

Our indebtedness under our various financing arrangements creates interest rate risk. We use a combination of derivative instruments as part of our program to manage the fixed and floating interest rate mix of our total debt portfolio and related overall cost of borrowing. Interest rate swaps allow us to maintain a target range of floating-rate debt within our capital structure. The notional amount, interest payment date and maturity date of the swaps match the terms of the associated debt being hedged.

We have designated and account for the majority of our interest rate swaps that convert fixed-rate interest payments into floating-rate interest payments as fair value hedges of the associated debt instruments. Therefore, the gains and losses resulting from fair value adjustments to the interest rate swaps and fair value adjustments to the associated debt instruments are recorded to interest expense in the period in which the gains and losses occur. We have designated and account for interest rate swaps that convert floating-rate interest payments into fixed-rate interest payments as cash flow hedges of the forecasted payment obligations. The gains and losses resulting from fair value adjustments to these interest rate swaps are recorded to other comprehensive income.

We periodically hedge the forecasted fixed-coupon interest payments associated with anticipated debt offerings by using forward starting interest rate swaps, interest rate locks or similar derivatives. These agreements effectively lock a portion of our interest rate exposure between the time the agreement is entered into and the date when the debt offering is completed, thereby mitigating the impact of interest rate changes on future interest expense. These derivatives are settled commensurate with the issuance of the debt, and any gain or loss upon settlement is amortized as an adjustment to the effective interest yield on the debt.

Outstanding Positions

As of March 31, 2022 and December 31, 2021, the notional amounts of our outstanding derivative positions were as follows (in millions):

		March 31, 2022	December 31, 2021
Currency hedges:			
Euro	EUR	4,215	4,257
British Pound Sterling	GBP	1,394	1,402
Canadian Dollar	CAD	1,672	1,633
Hong Kong Dollar	HKD	4,286	4,033
Interest rate hedges:			
Fixed to Floating Interest Rate Swaps	USD	1,000	1,000
Floating to Fixed Interest Rate Swaps	USD	28	28

As of March 31, 2022 and December 31, 2021, we had no outstanding commodity hedge positions.

Our fixed to floating interest rate swaps are designated as a fair value hedge of our 2.450% fixed rate notes that mature in October 2022. These instruments utilize LIBOR as the reference rate to determine the floating interest rate to be paid. As these instruments will settle before the applicable U.S. Dollar LIBOR rate ceases to be published in June 2023, we have not evaluated the application of ASC Topic 848 to these instruments.

Balance Sheet Recognition

The following table indicates the location in the consolidated balance sheets where our derivative assets and liabilities have been recognized, the fair value hierarchy level applicable to each derivative type and the related fair values of those derivatives.

We have master netting arrangements with substantially all of our counterparties giving us the right of offset for our derivative positions. However, we have not elected to offset the fair value positions of our derivative contracts recorded in the consolidated balance sheets. The columns labeled *Net Amounts if Right of Offset had been Applied* indicate the potential net fair value positions by type of contract and location in the consolidated balance sheets had we elected to apply the right of offset as of March 31, 2022 and December 31, 2021 (in millions):

			Gross Amounts Presented in Consolidated Balance Sheets		Net Amounts if Right of Offset had been Applied	
Asset Derivatives	**Balance Sheet Location**	**Fair Value Hierarchy Level**	**March 31, 2022**	**December 31, 2021**	**March 31, 2022**	**December 31, 2021**
Derivatives designated as hedges:						
Foreign currency exchange contracts	Other current assets	Level 2	$ 128	$ 100	$ 109	$ 82
Interest rate contracts	Other current assets	Level 2	3	11	3	11
Foreign currency exchange contracts	Other non-current assets	Level 2	148	123	114	90
Derivatives not designated as hedges:						
Foreign currency exchange contracts	Other current assets	Level 2	1	2	1	2
Total Asset Derivatives			$ 280	$ 236	$ 227	$ 185

			Gross Amounts Presented in Consolidated Balance Sheets		Net Amounts if Right of Offset had been Applied	
Liability Derivatives	**Balance Sheet Location**	**Fair Value Hierarchy Level**	**March 31, 2022**	**December 31, 2021**	**March 31, 2022**	**December 31, 2021**
Derivatives designated as hedges:						
Foreign currency exchange contracts	Other current liabilities	Level 2	$ 19	$ 19	$ —	$ 1
Foreign currency exchange contracts	Other non-current liabilities	Level 2	34	33	—	—
Interest rate contracts	Other non-current liabilities	Level 2	8	10	8	10
Total Liability Derivatives			$ 61	$ 62	$ 8	$ 11

Our foreign currency exchange, interest rate and investment market price derivatives are largely comprised of over-the-counter derivatives, which are primarily valued using pricing models that rely on market observable inputs such as yield curves, currency exchange rates and investment forward prices; therefore, these derivatives are classified as Level 2. As of March 31, 2022 and December 31, 2021 we did not have any derivatives that were classified as Level 1 or Level 3 within the fair value hierarchy.

Balance Sheet Location of Hedged Item in Fair Value Hedges

The following table indicates the amounts that were recorded in the consolidated balance sheets related to cumulative basis adjustments for fair value hedges as of March 31, 2022 and December 31, 2021 (in millions):

	Carrying Amount of Hedged Liabilities	Cumulative Amount of Fair Value Hedge Adjustments	Carrying Amount of Hedged Liabilities	Cumulative Amount of Fair Value Hedge Adjustments
Line Item in the Consolidated Balance Sheets in Which the Hedged Item is Included	**March 31, 2022**	**March 31, 2022**	**December 31, 2021**	**December 31, 2021**
Long-term debt and finance leases	$ 1,282	$ 8	$ 1,290	$ 16

The cumulative amount of fair value hedging losses remaining for any hedged assets and liabilities for which hedge accounting has been discontinued as of March 31, 2022 is $5 million. These amounts will be recognized over the next 8 years.

Income Statement and AOCI Recognition

The following table indicates the amount of gains and (losses) that have been recognized in the statements of consolidated income for fair value and cash flow hedges, as well as the associated gain or (loss) for the underlying hedged item for fair value hedges for the three months ended March 31, 2022 and 2021 (in millions):

	Three Months Ended March 31,					
	2022			2021		
Location and Amount of Gain (Loss) Recognized in Income on Fair Value and Cash Flow Hedging Relationships	**Revenue**	**Interest Expense**	**Investment Income and Other**	**Revenue**	**Interest Expense**	**Investment Income and Other**
Gain or (loss) on fair value hedging relationships:						
Interest Contracts:						
Hedged items	$ —	$ 8	$ —	$ —	$ 6	$ —
Derivatives designated as hedging instruments	—	(8)	—	—	(6)	—
Gain or (loss) on cash flow hedging relationships:						
Interest Contracts:						
Amount of gain or (loss) reclassified from accumulated other comprehensive income	—	(3)	—	—	(2)	—
Foreign Currency Exchange Contracts:						
Amount of gain or (loss) reclassified from accumulated other comprehensive income	41	—	—	15	—	—
Total amounts of income and expense line items presented in the statement of income in which the effects of fair value or cash flow hedges are recorded	$ 41	$ (3)	$ —	$ 15	$ (2)	$ —

The following table indicates the amount of gains and (losses) that have been recognized in AOCI for the three months ended March 31, 2022 and 2021 for those derivatives designated as cash flow hedges (in millions):

Three Months Ended March 31:

	Amount of Gain (Loss) Recognized in AOCI on Derivatives	
Derivative Instruments in Cash Flow Hedging Relationships	**2022**	**2021**
Interest rate contracts	$ 3	$ 3
Foreign currency exchange contracts	92	160
Total	$ 95	$ 163

As of March 31, 2022, there were $99 million of unrealized pre-tax gains related to cash flow hedges deferred in AOCI that are expected to be reclassified to income over the 12 month period ending March 31, 2023. The actual amounts that will be reclassified to income over the next 12 months will vary from this amount as a result of changes in market conditions. The maximum term over which we are hedging exposures to the variability of cash flows is approximately 10 years.

The following table indicates the amount of gains and (losses) that have been recognized in AOCI within foreign currency translation adjustment for the three months ended March 31, 2022 and 2021 for those instruments designated as net investment hedges (in millions):

Three Months Ended March 31:

	Amount of Gain (Loss) Recognized in AOCI on Debt	
Non-derivative Instruments in Net Investment Hedging Relationships	**2022**	**2021**
Foreign denominated debt	$ 46	$ 124
Total	$ 46	$ 124

Additionally, we maintain foreign currency exchange forward contracts that are not designated as hedges. The foreign currency exchange forward contracts are intended to provide an economic offset to foreign currency remeasurement and settlement risk for certain assets and liabilities in our consolidated balance sheets.

We also periodically terminate foreign currency exchange forward contracts by entering into offsetting foreign currency exchange positions with different counterparties. As part of this process, we de-designate our original foreign currency exchange contracts. These transactions provide an economic offset that effectively eliminates the effects of changes in market valuation.

The following is a summary of the amounts recorded in the statements of consolidated income related to fair value changes and settlements of these foreign currency exchange forward contracts not designated as hedges for the three months ended March 31, 2022 and 2021 (in millions):

Three Months Ended March 31:

Derivative Instruments Not Designated in Hedging Relationships	Location of Gain (Loss) Recognized in Income	Amount of Gain (Loss) Recognized in Income	
		2022	2021
Foreign currency exchange contracts	Investment income and other	$ (28)	$ (6)
Total		$ (28)	$ (6)

NOTE 16. INCOME TAXES

Our effective tax rate for the three months ended March 31, 2022 was approximately 21.5% compared with 22.8% in the same period of 2021. The recognition in income tax of excess tax benefits related to share-based compensation reduced our effective rate by 2.4% for the quarter compared to 1.1% in the same period of 2021. Other items that impacted our effective tax rate in the first quarter of 2022 compared to 2021 included unfavorable changes in uncertain tax positions and favorable changes in our jurisdictional earnings mix.

As discussed in our Annual Report on Form 10-K for the year ended December 31, 2021, we have recognized liabilities for uncertain tax positions and we reevaluate these uncertain tax positions on a quarterly basis. A number of years may elapse before an uncertain tax position is audited and ultimately settled. It is difficult to predict the ultimate outcome or the timing of resolution for uncertain tax positions. It is reasonably possible that the amount of unrecognized tax benefits could significantly increase or decrease within the next twelve months, however, an estimate of the range of reasonably possible outcomes cannot be made. Items that may cause changes to unrecognized tax benefits include the timing of interest deductions and the allocation of income and expense between tax jurisdictions. These changes could result from the settlement of ongoing litigation, the completion of ongoing examinations, the expiration of statutes of limitations or other unforeseen circumstances.

In the first quarter of 2022, we recognized an immaterial income tax expense related to a pre-tax curtailment gain of $33 million on the UPS Canada Ltd. Retirement Plan. This income tax expense was generated at a higher average tax rate than the U.S. federal statutory tax rate because it included the effect of foreign taxes.

In the first quarter of 2021, we recognized an income tax expense of $788 million related to a pre-tax mark-to-market gain of $3.3 billion on the UPS/IBT Full-Time Employee Pension Plan. This income tax expense was generated at a higher average tax rate than the U.S. federal statutory tax rate because it included the effect of U.S. state and local taxes.

As discussed in note 17, we recognized pre-tax transformation strategy costs of $55 million in the first quarter of 2022 compared to $118 million in the same period of 2021. As a result, we recorded an income tax benefit of $12 million in the first quarter compared to $28 million in the same period of 2021. The income tax benefit was generated at a higher average tax rate than the U.S. federal statutory tax rate primarily due to the effect of U.S. state and local taxes and foreign taxes. The 2021 benefit was generated at a higher average tax rate than the U.S. federal statutory tax rate primarily due to the effect of U.S. state and local taxes and foreign taxes.

We recorded a pre-tax valuation allowance against assets held for sale of $66 million during the first quarter of 2021, resulting in an additional income tax benefit of $16 million. This income tax benefit was generated at a higher average tax rate than the U.S. federal statutory tax rate due to the effect of U.S. state and local taxes.

Beginning in 2012, we were granted a tax incentive for certain of our non-U.S. operations, which was effective through December 31, 2021. During the first quarter of 2022, the tax incentive was renegotiated and extended. The tax incentive is conditioned upon our meeting specific employment and investment thresholds, which we expect to meet. The impact of the tax incentive did not significantly change our effective tax rate for the first quarter of 2022 compared to the first quarter of 2021.

NOTE 17. TRANSFORMATION STRATEGY COSTS

In 2018, we launched a multi-year, enterprise-wide transformation strategy impacting our organization. The program includes investments, as well as changes in processes and technology, that impact global direct and indirect operating costs.

The table below presents transformation strategy costs for the three months ended March 31, 2022 and 2021 (in millions):

	Three Months Ended March 31,	
	2022	**2021**
Transformation Strategy Costs:		
Compensation and benefits	$ 33	$ 76
Total other expenses	22	42
Total Transformation Strategy Costs	$ 55	$ 118
Income Tax Benefit from Transformation Strategy Costs	(12)	(28)
After Tax Transformation Strategy Costs	$ 43	$ 90

The income tax effects of transformation strategy costs are calculated by multiplying the amount of the adjustments by the statutory tax rates applicable in each tax jurisdiction.

Item 2. ***Management's Discussion and Analysis of Financial Condition and Results of Operations***

Overview

During the first quarter, we continued executing our *Customer First, People Led, Innovation Driven* strategy to realize further improvements in revenue quality, reductions in our cost to serve and growth in operating profit. Within the *Customer First* component of our strategy, we are continuing to leverage technology to make it faster and easier for small- and medium-sized businesses (SMBs) to ship with us, including first-quarter expansion of our Digital Access Program within the U.S. and internationally. Through our *People Led* strategic focus, we also realigned our executive leadership team to better serve our customers. Under *Innovation Driven*, we continued to deploy additional automation to increase productivity, including the introduction of smart facility technology. We also transitioned the two data centers which drive our global integrated network to renewable energy sources during the quarter.

During the first quarter, several factors contributed to a challenging operating environment, which is expected to persist, including global inflation, a surge in energy prices and upstream supply chain disruption. Additionally, the COVID-19 pandemic resulted in, and is expected to continue to result in, disruptions to our business, particularly in parts of Asia. In the first quarter, this drove a reduction in the number of flights we operated within the region relative to our expectations and negatively impacted demand for our services. Following Russia's invasion of Ukraine in February, we suspended all commercial operations in these countries, as well as in Belarus. Although these operations represent less than 1% of our consolidated revenues and the direct financial impact is not material to our business, we continue to monitor the evolving impact of the conflict on the broader economy. As a result of the aforementioned factors, we expect to continue to face certain pressures throughout the remainder of 2022.

In our U.S. Domestic Package reportable segment, volume decreased in the first quarter, driven by declines in residential volume. These declines were driven by a shift towards spending on services and a return to in-store shopping, as well as the impact of fiscal stimulus in the first quarter of 2021 that drove a surge in online consumer spending that did not repeat this year. Successful execution of our strategy resulted in growth in revenue per piece, which more than offset the impact of volume declines for the quarter.

Our International Package reportable segment was also impacted by the external factors discussed above, as well as lower e-commerce spending relative to the first quarter of 2021 when COVID-19 restrictions were in place in a number of countries, which resulted in a decrease in volume. This was offset by revenue per piece growth, driven by our continued focus on revenue quality as well as pricing changes which included fuel surcharge impacts. The growth in revenue per piece resulted in an increase in operating profit for the quarter.

Within Supply Chain Solutions, revenue growth was impacted by the second quarter 2021 divestiture of UPS Freight. Operating profit and operating margin increased, as global market demand continued to outpace supply in our international air and ocean freight forwarding businesses. Our truckload brokerage business benefited from revenue quality initiatives and growth remained strong in our healthcare operations.

Highlights of our consolidated results, which are discussed in more detail below, include:

	Three Months Ended March 31,		Change	
	2022	2021	$	%
Revenue (in millions)	$ 24,378	$ 22,908	$ 1,470	6.4 %
Operating Expenses (in millions)	21,127	20,143	984	4.9 %
Operating Profit (in millions)	$ 3,251	$ 2,765	$ 486	17.6 %
Operating Margin	13.3 %	12.1 %		
Net Income (in millions)	$ 2,662	$ 4,792	$ (2,130)	(44.4)%
Basic Earnings Per Share	$ 3.05	$ 5.50	$ (2.45)	(44.5)%
Diluted Earnings Per Share	$ 3.03	$ 5.47	$ (2.44)	(44.6)%
Operating Days	64	63		
Average Daily Package Volume (in thousands)	23,278	24,145		(3.6)%
Average Revenue Per Piece	$ 13.26	$ 12.12	$ 1.14	9.4 %

- Revenue increased in all segments, driven by strong growth in small package revenue per piece and the impact of an additional operating day.
- Average daily package volume decreased in the first quarter, primarily due to business-to-consumer volume declines.
- Operating expenses increased, driven by fuel and third-party transportation costs.
- Operating profit increased in all segments and operating margin increased in U.S. Domestic and Supply Chain Solutions.
- We reported net income of $2.7 billion and diluted earnings per share of $3.03 for the quarter. Adjusted diluted earnings per share was $3.05 for the quarter after adjusting for the after-tax impacts of:
  - transformation strategy costs of $43 million or $0.05 per diluted share; partially offset by
  - a defined benefit plan curtailment gain of $24 million or $0.03 per diluted share.

In the U.S. Domestic Package segment, revenue and revenue per piece increased, primarily due to fuel surcharges and base rate increases as well as favorable shifts in customer and product mix. Expense increased due to higher compensation and benefit costs and higher fuel prices.

The International Package segment experienced revenue and revenue per piece growth, primarily due to fuel surcharges and pricing structure changes, coupled with favorable shifts in customer and product mix. Expense increases were primarily driven by higher jet fuel prices.

In Supply Chain Solutions, revenue growth was driven by Forwarding and Logistics. Forwarding revenue growth was driven by market price increases, while Logistics continued to experience strong growth from healthcare operations. Expense decreased slightly in the first quarter, as higher transportation costs in Forwarding and Logistics were offset by a reduction in operating expenses due to the second quarter 2021 divestiture of UPS Freight.

Supplemental Information - Items Affecting Comparability

We supplement the reporting of our financial information determined under generally accepted accounting principles in the United States ("GAAP") with certain non-GAAP financial measures. These include: "adjusted" compensation and benefits; operating expenses; operating profit; operating margin; other income and (expense); income before income taxes; income tax expense; effective tax rate; net income; and earnings per share. Adjusted financial measures may exclude the impact of period over period exchange rate changes and hedging activities, defined benefit plan gains and losses, transformation and other charges, goodwill and asset impairment charges, and divestitures, as described below.

We believe that these non-GAAP measures provide additional meaningful information to assist users of our financial statements in more fully understanding our financial results and assessing our ongoing performance, because they exclude items that may not be indicative of, or are unrelated to, our underlying operations, and may provide a useful baseline for analyzing trends in our underlying businesses. These non-GAAP measures are used internally by management for business unit operating performance analysis, business unit resource allocation and in connection with incentive compensation award determinations.

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

Adjusted amounts reflect the following (in millions):

	Three Months Ended March 31,	
Non-GAAP Adjustments	**2022**	**2021**
Operating Expenses:		
Transformation Strategy Costs	$ 55	$ 118
Asset Impairment Charges and Divestitures	—	66
Total Adjustments to Operating Expenses	$ 55	$ 184
Other Income and (Expense):		
Defined Benefit Plan (Gains) and Losses	$ (33)	$ (3,290)
Total Adjustments to Other Income and (Expense)	$ (33)	$ (3,290)
Total Adjustments to Income Before Income Taxes	$ 22	$ (3,106)
Income Tax (Benefit) Expense:		
Transformation Strategy Costs	$ (12)	$ (28)
Asset Impairment Charges and Divestitures	—	(16)
Defined Benefit Plan (Gains) and Losses	9	788
Total Adjustments to Income Tax (Benefit) Expense	$ (3)	$ 744
Total Adjustments to Net Income	$ 19	$ (2,362)

Transformation and Other Charges, Goodwill and Asset Impairment Charges, and Divestitures

We supplement the presentation of our operating profit, operating margin, income before income taxes, net income and earnings per share with non-GAAP measures that exclude the impact of charges related to transformation activities, goodwill and asset impairment charges, and divestitures. For more information regarding transformation activities, see note 17 to the unaudited, consolidated financial statements. For more information regarding asset impairment charges and divestitures, see note 4 to our audited, consolidated financial statements in our Annual Report on Form 10-K for the year ended December 31, 2021.

Changes in Foreign Currency Exchange Rates and Hedging Activities

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

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

Defined Benefit Plan Gains and Losses

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

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

During the first quarter of 2022, we amended the UPS Canada Ltd. Retirement Plan to cease future benefit accruals effective December 31, 2023. As a result, we remeasured the plan's assets and benefit obligations as of March 31, 2022, resulting in a curtailment gain of $33 million ($24 million after-tax).

During the first quarter of 2021, we remeasured the UPS/IBT Full Time Employee Pension Plan following enactment into law of the American Rescue Plan Act and recognized a pre-tax mark-to-market gain outside of the 10% corridor of $3.3 billion ($2.5 billion after-tax).

These gains are included in *Investment income and other* in the statements of consolidated income. For additional information, refer to note 7 to the unaudited, consolidated financial statements.

Results of Operations - Segment Review

The results and discussions that follow are reflective of how management monitors and evaluates the performance of our segments as defined in note 13 to the unaudited, consolidated financial statements.

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

U.S. Domestic Package

	Three Months Ended March 31,		Change	
	2022	2021	$	%
Average Daily Package Volume (in thousands):				
Next Day Air	1,945	2,012		(3.3)%
Deferred	1,509	1,513		(0.3)%
Ground	16,287	16,827		(3.2)%
Total Average Daily Package Volume	19,741	20,352		(3.0)%
Average Revenue Per Piece:				
Next Day Air	$ 20.84	$ 18.39	$ 2.45	13.3 %
Deferred	14.70	13.22	1.48	11.2 %
Ground	10.66	9.83	0.83	8.4 %
Total Average Revenue Per Piece	$ 11.97	$ 10.93	$ 1.04	9.5 %
Operating Days in Period	64	63		
Revenue (in millions):				
Next Day Air	$ 2,594	$ 2,331	$ 263	11.3 %
Deferred	1,420	1,260	160	12.7 %
Ground	11,110	10,419	691	6.6 %
Total Revenue	$ 15,124	$ 14,010	$ 1,114	8.0 %
Operating Expenses (in millions):				
Operating Expenses	$ 13,462	$ 12,651	$ 811	6.4 %
Transformation and Other Charges	(43)	(104)	61	(58.7)%
Adjusted Operating Expense	$ 13,419	$ 12,547	$ 872	6.9 %
Operating Profit (in millions) and Operating Margin:				
Operating Profit	$ 1,662	$ 1,359	$ 303	22.3 %
Adjusted Operating Profit	$ 1,705	$ 1,463	$ 242	16.5 %
Operating Margin	11.0 %	9.7 %		
Adjusted Operating Margin	11.3 %	10.4 %		

Revenue

The change in revenue was due to the following factors:

	Volume	Rates / Product Mix	Fuel Surcharge	Total Revenue Change
Revenue Change Drivers:				
First quarter 2022 vs. 2021	(1.5)%	5.2 %	4.3 %	8.0 %

Overall revenue also benefited from one additional operating day in the first quarter of 2022.

Volume

Average daily volume decreased, driven by a 7.4% decline in residential shipments. The decline in residential volume was attributable to rising inflation depressing consumer demand, a shift in consumer spending away from e-commerce towards services and in-store shopping and the impact of fiscal stimulus in the first quarter of 2021 that drove a surge in online consumer spending in that period. Business-to-consumer shipments represented approximately 57.4% of average daily volume for the quarter compared to 60.1% in 2021.

Business-to-business shipments increased 3.6% in the 2022 period, with growth primarily in our Ground commercial product which was driven by growth from SMB customers as we continued to execute on our strategy. Overall, we anticipate that average daily volume growth in the first half of 2022 will be negative and then improve in the second half of the year.

Within our Air products, we experienced shifts in customer mix that resulted in overall declines in average daily volume. Deferred average daily volume remained relatively flat, while our Next Day Air average daily volume declined as we continued to execute within our *Better Not Bigger* strategic framework.

Within our Ground products, SurePost average daily volume decreased 10.5%, driven by a reduction in shipments from a number of large customers while Ground residential experienced volume declines in all customer segments. These declines were driven by lower consumer spending as discussed above. Ground commercial volume increased 4.1%, with growth from both large customers and SMBs.

Rates and Product Mix

Revenue per piece in both our Air and Ground products increased, driven by increases in base rates and fuel surcharges, as well as favorable changes in customer and product mix. Rates for Air and Ground products increased an average of 5.9% in December 2021, and our SurePost rates also increased at that time. In our Next Day Air and Deferred products, overall revenue per piece growth was slightly impacted by a reduction in average billable weight per piece.

Through continued execution of our strategy, we anticipate that revenue per piece will continue to grow faster than volume throughout the remainder of 2022.

Fuel Surcharges

We apply a fuel surcharge on our domestic air and ground services that is adjusted weekly. The air fuel surcharge is based on the U.S. Department of Energy's ("DOE") Gulf Coast spot price for a gallon of kerosene-type fuel, while the ground fuel surcharge is based on the DOE's On-Highway Diesel Fuel price. Based on published rates, the average fuel surcharge rates for domestic Air and Ground products were as follows:

	Three Months Ended March 31,		% Point Change
	2022	2021	2022 vs 2021
Next Day Air / Deferred	14.4 %	5.9 %	8.5 %
Ground	12.7 %	7.2 %	5.5 %

While fluctuations in fuel surcharges can be significant from period to period, fuel surcharges are only one of the many individual components of our market pricing strategy that impact our overall revenue and yield. Additional components include the mix of services sold, the base price and additional charges for these services and the pricing discounts offered.

Total domestic fuel surcharge revenue increased $601 million, driven by increases in fuel surcharges and pricing structure changes. We expect surcharges to remain elevated throughout the remainder of 2022.

Operating Expenses

Operating expenses, and operating expenses excluding the year-over-year impact of transformation and other charges, increased, partly due to the impact of one additional operating day. Pickup and delivery costs increased $455 million and the cost of operating our integrated air and ground network increased $279 million. Package sorting costs increased $80 million and other indirect operating costs increased $58 million. These increases were impacted by:

- Higher fuel costs, primarily attributable to increases in the price of jet fuel, diesel and gasoline, which we expect to persist.
- Increases in employee benefits expense for our union workforce due to contractual rate increases for contributions to multiemployer benefit plans, as well as additional headcount becoming eligible for health, welfare and retirement benefits.
- Higher compensation expense due to contractual rate increases, and cost of living and market-rate adjustments for our union workforce. These increases were partially offset by lower volumes, leading to a decrease in average daily union labor hours. Management payroll also increased, primarily due to wage rate adjustments for our part-time workforce and higher incentive compensation.
- Increases in workers' compensation and automobile liability expense were primarily driven by adverse claims development.
- Reallocation of Ground with Freight Pricing product expense following the second quarter 2021 divestiture of UPS Freight, which resulted in $69 million of increased segment operating expenses.

Total cost per piece, and adjusted cost per piece excluding the year-over-year impact of transformation and other charges, increased 8.0% and 8.5%, respectively. We anticipate that overall costs and cost per piece will continue to increase throughout the remainder of 2022 as a result of market factors, including expected increases in the cost of labor and inflation, as well as upstream supply chain disruptions.

Operating Profit and Margin

As a result of the factors described above, operating profit increased $303 million, with operating margin increasing 130 basis points to 11.0%. Excluding the year-over-year impact of transformation and other charges, adjusted operating profit increased $242 million, with adjusting operating margin increasing 90 basis points to 11.3%.

International Package

	Three Months Ended March 31,		Change	
	2022	2021	$	%
Average Daily Package Volume (in thousands):				
Domestic	1,806	2,010		(10.1)%
Export	1,731	1,783		(2.9)%
Total Average Daily Package Volume	3,537	3,793		(6.7)%
Average Revenue Per Piece:				
Domestic	$ 7.36	$ 7.33	$ 0.03	0.4 %
Export	34.10	31.10	3.00	9.6 %
Total Average Revenue Per Piece	$ 20.45	$ 18.50	$ 1.95	10.5 %
Operating Days in Period	64	63		
Revenue (in millions):				
Domestic	$ 851	$ 928	$ (77)	(8.3)%
Export	3,778	3,493	285	8.2 %
Cargo and Other	247	186	61	32.8 %
Total Revenue	$ 4,876	$ 4,607	$ 269	5.8 %
Operating Expenses (in millions):				
Operating Expenses	$ 3,760	$ 3,522	$ 238	6.8 %
Transformation and Other Charges	(4)	(6)	2	(33.3)%
Adjusted Operating Expenses	$ 3,756	$ 3,516	$ 240	6.8 %
Operating Profit (in millions) and Operating Margin:				
Operating Profit	$ 1,116	$ 1,085	$ 31	2.9 %
Adjusted Operating Profit	$ 1,120	$ 1,091	$ 29	2.7 %
Operating Margin	22.9 %	23.6 %		
Adjusted Operating Margin	23.0 %	23.7 %		
Currency Benefit / (Cost) – (in millions)*:				
Revenue				$ (143)
Operating Expenses				115
Operating Profit				$ (28)

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

Revenue

The change in revenue was due to the following:

	Volume	Rates / Product Mix	Fuel Surcharge	Currency	Total Revenue Change
Revenue Change Drivers:					
First quarter 2022 vs. 2021	(5.0)%	7.8 %	6.1 %	(3.1)%	5.8 %

Volume

In the first quarter, average daily volume decreased for both domestic and export products. Volume declined from both large customers and SMBs, primarily in the retail and technology sectors. Business-to-consumer volume decreased 20.7%. This decrease was attributable to challenging global economic conditions, including inflation, geopolitical uncertainty and COVID-19 disruptions in Asia, as well as a reduction in consumer e-commerce spending relative to the first quarter of 2021 when COVID-19 restrictions were in place in a number of countries. Business-to-business volume increased 0.5% in the first quarter. We expect volume growth in the first half of the year to be negative, with improvement occurring in the second half of the year.

Export volume decreased in the first quarter, driven by impacts from Europe and Asia. European volume declines were highest on intra-Europe trade lanes, driven by overall economic conditions. These declines were partially offset by growth on the Europe to U.S. trade lane driven by the United Kingdom and Turkey. The decline in Asia export volume was primarily driven by COVID-19 disruptions, which resulted in fewer flights being operated during the first quarter and reduced business activity in certain areas within China during March.

Our premium Express products experienced a slight volume decline in the quarter, primarily due to disruptions to our business in Asia related to COVID-19 shutdowns. Volume for our non-premium export products decreased 2.3%, driven by reductions in our Worldwide Expedited and Worldwide Standard products. The decline in our Worldwide Standard product was due to the year-over-year impact of Brexit as customers continued to adjust their supply chains, while the decline in our Worldwide Expedited product resulted from shifts in customer preferences.

Domestic volume also declined in the first quarter, particularly in Canada and the United Kingdom, due to a decrease in residential volume driven by the reduction in e-commerce from the comparative period, as discussed above.

Rates and Product Mix

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

Total revenue per piece increased 10.5% in the quarter, primarily due to fuel surcharges and pricing structure changes as well as favorable shifts in customer and product mix. Demand-related surcharges on certain export volume also contributed to the increase. This increase was partially offset by unfavorable currency movements. Excluding the impact of currency, revenue per piece increased 13.9%. We expect our overall revenue per piece to increase for 2022 as a result of our continuing revenue quality initiatives.

Export revenue per piece increased 9.6% in the quarter also for the reasons described above. Excluding the impact of currency, export revenue per piece increased 12.2%.

Domestic revenue per piece was also favorably impacted by the factors described above. However, this was offset by unfavorable currency movements, which resulted in domestic revenue per piece remaining relatively flat for the quarter. Excluding the impact of currency, domestic revenue per piece increased 6.8%.

Fuel Surcharges

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

While fluctuations can be significant from period to period, fuel surcharges represent one of the many individual components of our market pricing strategy that impact our overall revenue and yield. Additional components include the mix of services sold, the base price, extra service charges and any pricing discounts offered. Total international fuel surcharge revenue increased by $259 million in the first quarter, driven by significant increases in fuel surcharge indices which were slightly offset by volume declines. We expect fuel surcharges to continue to remain elevated throughout the remainder of 2022.

Operating Expenses

Operating expenses, and operating expenses excluding the year-over-year impact of transformation and other charges, increased in the first quarter. The costs of operating our integrated international air and ground network increased $295 million, primarily due to higher fuel prices, which we expect to persist through the remainder of 2022.

In addition to variability in usage, market prices and fuel costs passed on to us by third-party transportation providers, the manner in which we purchase fuel also influences the net impact of costs on our results. The majority of our contracts for fuel purchases utilize index-based pricing formulas plus or minus a fixed locational/supplier differential. While many of the indices are aligned, each index may fluctuate at a different pace, driving variability in the prices paid for fuel. Because of this, our operating results may be affected should the market price of fuel suddenly change by a significant amount or change by amounts that do not result in an adjustment in our fuel surcharges, which can significantly affect our earnings either positively or negatively in the short-term.

Pickup and delivery costs decreased $38 million, primarily due to volume declines in the first quarter discussed above. Other indirect costs also decreased year over year, while package sorting costs remained relatively flat.

Operating Profit and Margin

As a result of the factors described above, operating profit increased $31 million for the first quarter, with operating margin decreasing 70 basis points to 22.9%. Excluding the year-over-year impact of transformation and other charges, adjusted operating profit increased $29 million in the first quarter, while adjusted operating margin decreased 70 basis points to 23.0%.

Supply Chain Solutions

	Three Months Ended March 31,		Change	
	2022	2021	$	%
Revenue (in millions):				
Forwarding	$ 2,589	$ 2,072	$ 517	25.0 %
Logistics	1,251	1,104	147	13.3 %
Freight	—	767	(767)	(100.0)%
Other	538	348	190	54.6 %
Total Revenue	$ 4,378	$ 4,291	$ 87	2.0 %
Operating Expenses (in millions):				
Operating Expenses	$ 3,905	$ 3,970	$ (65)	(1.6)%
Transformation Strategy Costs	(8)	(8)	—	— %
Asset Impairment Charges and Divestitures	—	(66)	66	(100.0)%
Adjusted Operating Expenses:	$ 3,897	$ 3,896	$ 1	— %
Operating Profit (in millions) and Operating Margin:				
Operating Profit	$ 473	$ 321	$ 152	47.4 %
Adjusted Operating Profit	$ 481	$ 395	$ 86	21.8 %
Operating Margin	10.8 %	7.5 %		
Adjusted Operating Margin	11.0 %	9.2 %		
Currency Benefit / (Cost) – (in millions)*:				
Revenue			$ (37)	
Operating Expenses			40	
Operating Profit			$ 3	

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

	Three Months Ended March 31,		Change	
	2022	2021	$	%
Transformation Strategy Costs (in millions):				
Forwarding	$ 6	$ 5	$ 1	20.0 %
Logistics	1	2	(1)	(50.0)%
Freight	—	1	(1)	(100.0)%
Other	1	—	1	N/A
Total Transformation Strategy Costs	$ 8	$ 8	$ —	— %

Revenue

Total revenue for Supply Chain Solutions increased $87 million, as strong revenue growth across many of our businesses was largely offset by a $767 million decrease in revenue attributable to the second quarter 2021 divestiture of UPS Freight.

Forwarding revenue increased in the first quarter. In our international air freight business, revenue growth was driven by ongoing demand-related surcharges and elevated market rates, slightly offset by a reduction in Asia export volume. We anticipate that rates may moderate during the year as capacity returns to the market. Ocean freight forwarding revenue increased as market rates remained elevated, while volume declined slightly. We expect ocean rates to moderate below 2021 peak levels later in 2022. Revenue in our truckload brokerage business increased $146 million, which was primarily driven by revenue quality initiatives, slightly offset by a reduction in volume of approximately 10%.

Within Logistics, our healthcare operations experienced strong business growth in the first quarter driven by pharmaceuticals, clinical trials and lab customers. Revenue in our mail services business increased slightly due to rate increases and a favorable shift in product characteristics, which were somewhat offset by lower volumes. Our other distribution operations experienced year-over-year revenue increases, driven by business growth, service expansion and higher demand for warehouse space.

Revenue from the other businesses within Supply Chain Solutions increased, driven by services provided to the acquirer of UPS Freight under certain transition services agreements, the acquisition of Roadie, Inc. and business growth in UPS Capital.

Operating Expenses

Total operating expenses in Supply Chain Solutions decreased slightly in the first quarter, which included a decrease of $784 million from the divestiture of UPS Freight. Operating expenses, excluding the year-over-year impact of transformation and other charges, were relatively unchanged.

Forwarding operating expenses increased $392 million, driven by an increase in purchased transportation expense. This increase was primarily due to higher fuel costs and capacity constraints driving higher rates in our international airfreight, ocean freight forwarding and truckload brokerage businesses. We expect these rates to moderate during 2022.

Logistics operating expenses increased $126 million, driven by higher purchased transportation costs due to business growth in our healthcare operations and carrier rate increases in mail services. Business growth also resulted in higher compensation and benefits expense within our healthcare operations, while market wage pressures drove increased compensation costs in mail services. We anticipate that a tight labor market and inflation may result in higher compensation costs throughout the remainder of 2022.

Expense in the other businesses within Supply Chain Solutions increased, largely due to transportation and other costs incurred under the transition services agreements with the acquirer of UPS Freight and additional third-party transportation costs resulting from the acquisition of Roadie, Inc..

Operating Profit and Margin

As a result of the factors described above, operating profit increased $152 million in the first quarter, with operating margin increasing 330 basis points to 10.8%. Excluding the year-over-year impact of transformation and other charges, adjusted operating profit increased $86 million, with adjusted operating margin increasing 180 basis points to 11.0%.

Consolidated Operating Expenses

	Three Months Ended March 31,		Change	
	2022	2021	$	%
Operating Expenses (in millions):				
Compensation and benefits	$ 11,616	$ 11,483	$ 133	1.2 %
Transformation and Other Charges	(33)	(76)	43	(56.6)%
Adjusted Compensation and benefits	$ 11,583	$ 11,407	$ 176	1.5 %
Repairs and maintenance	$ 626	$ 619	$ 7	1.1 %
Depreciation and amortization	764	722	42	5.8 %
Purchased transportation	4,600	4,243	357	8.4 %
Fuel	1,220	807	413	51.2 %
Other occupancy	491	466	25	5.4 %
Other expenses	1,810	1,803	7	0.4 %
Total Other expenses	9,511	8,660	851	9.8 %
Transformation and Other Charges	(22)	(42)	20	(47.6)%
Asset impairment charges and divestitures	—	(66)	66	(100.0)%
Adjusted Total Other expenses	$ 9,489	$ 8,552	937	11.0 %
Total Operating Expenses	$ 21,127	$ 20,143	$ 984	4.9 %
Adjusted Total Operating Expenses	$ 21,072	$ 19,959	$ 1,113	5.6 %
Currency (Benefit) / Cost - (in millions)*			$ (155)	

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

	Three Months Ended March 31,		Change	
	2022	2021	$	%
Adjustments to Operating Expenses (in millions):				
Transformation Strategy Costs:				
Compensation	$ 16	$ 6	$ 10	166.7 %
Benefits	17	70	(53)	(75.7)%
Other occupancy	—	1	(1)	(100.0)%
Other expenses	22	41	(19)	(46.3)%
Total Transformation Strategy Costs	$ 55	$ 118	$ (63)	(53.4)%
Asset impairment charges and divestitures:				
Other expenses	$ —	$ 66	$ (66)	(100.0)%
Total Adjustments to Operating Expenses	$ 55	$ 184	$ (129)	(70.1)%

Compensation and Benefits

Total compensation and benefits, and total compensation and benefits excluding the year-over-year impact of transformation and other charges, increased in the first quarter.

Total compensation costs increased $31 million or 0.5%. Excluding the year- over-year impact of transformation and other charges, adjusted total compensation costs increased $21 million. U.S. Domestic direct labor costs increased, driven by increases in wage rates and cost of living adjustments for our union workforce. These wage increases were partially offset by a reduction in labor hours due to a 3.0% reduction in volume. Management compensation increased as a result of part-time management wage rate adjustments and additional incentive compensation. The increases were partially offset by a decrease of $235 million as a result of the second quarter 2021 divestiture of UPS Freight.

Benefits costs increased $102 million or 2.1%. Excluding the year-over-year impact of transformation and other charges, adjusted benefits costs increased $155 million or 3.2%. The primary drivers were as follows:

- Vacation, excused absence, payroll taxes and other costs increased $109 million, driven by salary and wage increases and growth in the overall size of the workforce.
- Health and welfare costs increased $40 million, driven by increased contributions to multiemployer plans as a result of growth in the eligible workforce and contractual rate increases. This was partly offset by the impact of divesting UPS Freight, which decreased cost $49 million year over year.
- Workers' compensation costs increased $35 million, driven by adverse claims developments.
- Pension and other postretirement benefits costs decreased by $37 million. Lower service costs and a reduction in defined contributions for company-sponsored plans were largely offset by higher contributions to multiemployer plans as a result of contractually-mandated contribution increases. The divestiture of UPS Freight decreased expense $36 million year over year.

Repairs and Maintenance

We incurred higher costs for aircraft engine maintenance in the first quarter of 2022 due to the timing of scheduled maintenance events. This increase was partially offset by a reduction in routine repairs and maintenance for our buildings and facilities.

Depreciation and Amortization

Depreciation and amortization expense increased as a result of additional expenses arising from facility automation projects coming into service, investments in internally developed software and the amortization of intangible assets acquired as part of the Roadie, Inc. acquisition in the fourth quarter of 2021.

Purchased Transportation

The overall increase in third-party transportation expense charged to us by air, ocean and ground carriers was primarily driven by:

- Supply Chain Solutions expense increased $345 million, driven by market rate increases in our air and ocean freight and truckload brokerage businesses, as well as volume growth in our healthcare operations. The divestiture of UPS Freight resulted in a decrease of $187 million in expenses period over period, which was somewhat offset by the cost of transportation procured under transitional arrangements with the acquirer of the business.
- International Package expense increased $13 million, as higher network costs were partially offset by favorable currency movements, primarily in Europe.

Fuel

The increase in fuel expense was primarily driven by higher prices for jet fuel, diesel and gasoline.

Other Occupancy

Other occupancy expense increased as a result of expenses from additional operating facilities coming into service and higher utilities costs.

Other Expenses

Other expenses, and other expenses excluding the year-over-year impact of transformation and other charges, increased primarily as a result of the following:

- Hosted software application fees and other technology costs increased $31 million.
- The cost of goods provided under transitional service agreements to the acquirer of UPS Freight was $28 million. There was no similar cost in the 2021 period.
- Auto liability insurance increased $22 million, driven by increases in the frequency and severity of claims.
- Other increases included airline operational expenses, third-party commissions, payment processing fees and an increase in our allowance for credit losses.

These increases were partially offset by favorable developments in certain legal and tax contingencies and a reduction in asset impairment charges.

Other Income and (Expense)

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

	Three Months Ended March 31,		Change	
	2022	2021	$	%
Investment Income and Other	$ 315	$ 3,616	$ (3,301)	(91.3)%
Defined Benefit Plan (Gains) and Losses	(33)	(3,290)	3,257	(99.0)%
Adjusted Investment Income and Other	$ 282	$ 326	$ (44)	(13.5)%
Interest Expense	(174)	(177)	3	(1.7)%
Total Other Income and (Expense)	$ 141	$ 3,439	$ (3,298)	(95.9)%
Adjusted Other Income and (Expense)	$ 108	$ 149	$ (41)	(27.5)%

Investment Income and Other

Investment income and other decreased $3.3 billion. We recognized a $3.3 billion defined benefit plan mark-to-market gain in the first quarter of 2021 and a $33 million defined benefit plan curtailment gain in the first quarter of 2022. Excluding the impact of these defined benefit plan gains, adjusted investment income and other decreased $44 million, primarily due to year-over-year changes in the fair value of certain non-current investments, as well as a decrease in other pension income. Other pension income decreased due to the following:

- Expected returns on pension assets decreased as a result of a reduction in our rate of return assumption, partially offset by a higher asset base due to contributions and positive asset returns in 2021.
- Pension interest cost decreased due to a reduction in projected benefit obligations, partially offset by the impact of higher discount rates and changes in demographic assumptions.
- Prior service cost decreased as the cost base from certain plan amendments became fully amortized during 2021.

Interest Expense

Interest expense decreased due to lower average outstanding debt balances, partially offset by a reduction in the capitalization of interest.

Income Tax Expense

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

	Three Months Ended March 31,		Change	
	2022	2021	$	%
Income Tax Expense	$ 730	$ 1,412	$ (682)	(48.3)%
Income Tax Impact of:				
Transformation Strategy Costs	12	28	(16)	(57.1)%
Asset Impairment Charges and Divestitures	—	16	(16)	(100.0)%
Defined Benefit Plan (Gains) and Losses	(9)	(788)	779	(98.9)%
Adjusted Income Tax Expense	$ 733	$ 668	$ 65	9.7 %
Effective Tax Rate	21.5 %	22.8 %		
Adjusted Effective Tax Rate	21.5 %	21.6 %		

For additional information on our income tax expense and effective tax rate, see note 16 to the unaudited, consolidated financial statements.

Liquidity and Capital Resources

As of March 31, 2022, we had $12.5 billion in cash, cash equivalents and marketable securities. We believe that these positions, expected cash from operations, access to commercial paper programs and capital markets and other available liquidity options will be adequate to fund our material short- and long-term cash requirements, including our business operations, planned capital expenditures and pension contributions, transformation strategy costs, debt obligations and planned shareowner returns. We regularly evaluate opportunities to optimize our capital structure, including through issuances of debt to refinance existing debt and to fund operations. We deploy a disciplined and balanced approach to capital allocation, including returns to shareowners through dividends and share repurchases.

Cash Flows From Operating Activities

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

	Three Months Ended March 31, 2022	Three Months Ended March 31, 2021
Net income	$ 2,662	$ 4,792
Non-cash operating activities [(a)]	1,559	(984)
Pension and postretirement benefit plan contributions (company-sponsored plans)	(45)	(215)
Hedge margin receivables and payables	(9)	85
Income tax receivables and payables	379	353
Changes in working capital and other non-current assets and liabilities	(49)	478
Other operating activities	(17)	22
Net cash from operating activities	$ 4,480	$ 4,531

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

Net cash from operating activities decreased $51 million in the first quarter, and was impacted by the following:

- An increase in working capital, driven by the timing of payroll and other compensation-related items.
- A decrease in contributions to our company-sponsored pension and U.S. postretirement medical benefit plans, which totaled $45 million in the first quarter of 2022 compared to $215 million in 2021. The reduction was driven by the timing of contributions to our U.S. postretirement medical plan.
- A decrease in our net hedge margin collateral position of $94 million due to changes in the fair value of derivative contracts used in our currency and interest rate hedging programs.

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

Amounts due to our suppliers that participate in the SCF program are included in *Accounts payable* in our consolidated balance sheets. We have been informed by the participating financial institutions that as of March 31, 2022 and 2021, suppliers sold them $509 and $343 million, respectively, of our outstanding payment obligations. Amounts due to suppliers that participate in the SCF program may be reflected in cash flows from operating activities or cash flows from investing activities in our consolidated statements of cash flows. The amounts settled through the SCF program were approximately $308 and $267 million for the three months ended March 31, 2022 and 2021, respectively.

As of March 31, 2022, approximately $3.4 billion of our total worldwide holdings of cash, cash equivalents and marketable securities were held by foreign subsidiaries. The amount of cash, cash equivalents and marketable securities held by our U.S. and foreign subsidiaries fluctuates throughout the year due to a variety of factors, including the timing of cash receipts and disbursements in the normal course of business. Cash provided by operating activities in the U.S. continues to be our primary source of funds to finance domestic operating needs, capital expenditures, share repurchases, pension contributions and dividend payments to shareowners. All cash, cash equivalents and marketable securities held by foreign subsidiaries are generally available for distribution to the U.S. without any U.S. federal income taxes. Any such distributions may be subject to foreign withholding and U.S. state taxes. When amounts earned by foreign subsidiaries are expected to be indefinitely reinvested, no accrual for taxes is provided.

Cash Flows From Investing Activities

Our primary sources (uses) of cash from investing activities were as follows (in millions):

	Three Months Ended March 31,	
	2022	2021
Net cash used in investing activities	$ (572)	$ (766)
Capital Expenditures:		
Buildings, facilities and plant equipment	$ (169)	$ (325)
Aircraft and parts	(206)	(239)
Vehicles	(10)	(135)
Information technology	(163)	(135)
Total Capital Expenditures	$ (548)	$ (834)
Capital Expenditures as a % of revenue	2.2 %	3.6 %
Other Investing Activities:		
Proceeds from disposal of businesses, property, plant and equipment	$ —	$ 10
Net change in finance receivables	$ 5	$ 11
Net (purchases), sales and maturities of marketable securities	$ (8)	$ 56
Cash paid for business acquisitions, net of cash and cash equivalents acquired	$ 1	$ (3)
Other investing activities	$ (22)	$ (6)

We have commitments for the purchase of aircraft, vehicles, equipment and real estate to provide for the replacement of existing capacity and anticipated future growth. Future capital spending for anticipated growth and replacement assets will depend on a variety of factors, including economic and industry conditions. Our current investment program anticipates investments in technology initiatives and enhanced network capabilities, including over $1 billion of projects to support our environmental sustainability goals in 2022. It also provides for the maintenance of buildings, facilities and plant equipment and replacement of certain aircraft within our fleet. We currently expect that our capital expenditures will total approximately $5.5 billion in 2022, of which approximately 60 percent will be allocated to expansion projects.

Total capital expenditures decreased in the first quarter of 2022 compared to 2021:

- Spending on buildings, facilities and plant equipment in our global small package business decreased as supply chain disruption resulted in delays to certain projects.
- Aircraft expenditures decreased due to fewer payments associated with the delivery of aircraft, partially offset by increases in contract deposits on open aircraft orders.
- Vehicle expenditures decreased due to the timing of deliveries and payments.
- Information technology expenditures increased due to additional deployments of technology equipment.

The net change in finance receivables was primarily due to reductions in outstanding balances within our finance portfolios. Purchases and sales of marketable securities are largely determined by liquidity needs and the periodic rebalancing of investment types, and will fluctuate from period to period.

Cash paid for business acquisitions in the first quarter of 2021 related to the purchase of development areas for The UPS Store. Other investing activities were impacted by changes in our non-current investments, purchase contract deposits and various other items.

Cash Flows From Financing Activities

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

	Three Months Ended March 31,	
	2022	2021
Net cash used in financing activities	$ (1,970)	$ (1,945)
Share Repurchases:		
Cash paid to repurchase shares	(254)	—
Number of shares repurchased	1.2	—
Shares outstanding at period end	874	870
Dividends:		
Dividends declared per share	$ 1.52	$ 1.02
Cash paid for dividends	$ (1,284)	$ (858)
Borrowings:		
Net borrowings (repayments) of debt principal	$ (18)	$ (831)
Other Financing Activities:		
Cash received for common stock issuances	$ 67	$ 78
Other financing activities	$ (481)	$ (334)
Capitalization:		
Total debt outstanding at period end	21,881	23,727
Total shareowners' equity at period end	15,434	7,159
Total capitalization	$ 37,315	$ 30,886

We repurchased 1.2 million shares of class B common stock for $260 million under our stock repurchase program during the three months ended March 31, 2022 ($254 million in repurchases are reported on the statements of consolidated cash flows due to the timing of settlements). We did not repurchase any shares under this program during the three months ended March 31, 2021. We anticipate our share repurchases will total approximately $2.0 billion for all of 2022. For additional information on our share repurchase activities, see note 12 to the unaudited, consolidated financial statements.

In the first quarter of 2022, we declared a quarterly dividend of $1.52 per share. The declaration of dividends is subject to the discretion of the Board and depends on various factors, including our net income, financial condition, cash requirements, future prospects and other relevant factors.

There were no issuances of debt during the three months ended March 31, 2022. Repayments of debt during the first quarter of 2022 were related to scheduled principal payments on our finance lease obligations. In the first quarter of 2021, issuances of debt consisted of borrowings under our commercial paper program. Repayments included fixed-rate senior notes totaling $1.5 billion, commercial paper and scheduled principal payments on our finance lease obligations.

We have $2.0 billion of fixed and floating rate notes maturing in 2022 that we currently expect to repay at maturity with cash from operations. We consider the overall fixed and floating interest rate mix of our portfolio and the related overall cost of borrowing when planning for future issuances and non-scheduled repayments of debt.

The amount of commercial paper outstanding fluctuates throughout the year based on daily liquidity needs. As of March 31, 2022, we had no outstanding balances under our commercial paper programs.

Cash flows from other financing activities were driven by the repurchase of shares to satisfy tax withholding obligations on vested employee stock awards. Cash outflows were $479 and $330 million for the three months ended March 31, 2022 and 2021, respectively. The increase was driven by changes in payment amounts for certain awards.

Except as disclosed in our Annual Report on Form 10-K for the year ended December 31, 2021, we do not have guarantees or other off-balance sheet financing arrangements, including variable interest entities, which we believe could have a material impact on our financial condition or liquidity.

Sources of Credit

See note 9 to the unaudited, consolidated financial statements for a discussion of our available credit and the financial covenants that we are subject to as part of our credit agreements.

Contractual Commitments

There have been no material changes to the contractual commitments described in Part II, Item 7 of our Annual Report on Form 10-K for the year ended December 31, 2021.

Legal Proceedings and Contingencies

See note 7 and note 11 to the unaudited, consolidated financial statements for a discussion of judicial proceedings and other matters arising from the conduct of our business activities, and note 16 for a discussion of income tax related matters.

Collective Bargaining Agreements

Status of Collective Bargaining Agreements

See note 7 to the unaudited, consolidated financial statements for a discussion of the status of our collective bargaining agreements.

Multiemployer Benefit Plans

See note 7 to the unaudited, consolidated financial statements for a discussion of our participation in multiemployer benefit plans.

Recent Accounting Pronouncements

Adoption of New Accounting Standards

See note 2 to the unaudited, consolidated financial statements for a discussion of recently adopted accounting standards.

Accounting Standards Issued But Not Yet Effective

See note 2 to the unaudited, consolidated financial statements for a discussion of accounting standards issued, but not yet effective.

Rate Adjustments

From time to time we adjust published rates applicable to our services. These rates, when published, are made available on our website at *www.ups.com*. We provide the address to our internet site solely for information. We do not intend for this address to be an active link or to otherwise incorporate the contents of any website into this or any other report we file with the Securities and Exchange Commission.

Item 3. ***Quantitative and Qualitative Disclosures About Market Risk***

We are exposed to market risk from changes in certain commodity prices, foreign currency exchange rates, interest rates and equity prices. All of these market risks arise in the normal course of business, as we do not engage in speculative trading activities. In order to manage the risk arising from these exposures, we utilize a variety of commodity, foreign currency exchange and interest rate forward contracts, options and swaps. A discussion of our accounting policies for derivative instruments and further disclosures are provided in note 15 to the unaudited, consolidated financial statements.

The total net fair value asset (liability) of our derivative financial instruments is summarized in the following table (in millions):

	March 31, 2022	December 31, 2021
Currency Derivatives	$ 224	$ 173
Interest Rate Derivatives	(5)	1
	$ 219	$ 174

As of March 31, 2022 and December 31, 2021, we had no outstanding commodity hedge positions.

Our market risks, hedging strategies and financial instrument positions as of March 31, 2022 have not materially changed from those disclosed in our Annual Report on Form 10-K for the year ended December 31, 2021. In 2022, we entered into several foreign currency exchange forward contracts on the Euro, British Pound Sterling, Canadian Dollar and Hong Kong Dollar, and had forward contracts expire. The remaining fair value changes between December 31, 2021 and March 31, 2022 in the preceding table are primarily due to interest rate and foreign currency exchange rate fluctuations between those dates.

The foreign currency exchange forward contracts, swaps and options previously discussed contain an element of risk that the counterparties may be unable to meet the terms of the agreements; however, we minimize such risk exposures for these instruments by limiting the counterparties to banks and financial institutions that meet established credit guidelines and by monitoring counterparty credit risk to prevent concentrations of credit risk with any single counterparty.

We have agreements with all of our active counterparties (covering all of our derivative positions) containing early termination rights and/or zero threshold bilateral collateral provisions whereby cash is required based on the net fair value of derivatives associated with those counterparties. Events such as a credit rating downgrade (depending on the ultimate rating level) could also allow us to take additional protective measures such as the early termination of trades. As of March 31, 2022, we held cash collateral of $253 million and were required to post cash collateral of $2 million with our counterparties under these agreements.

We have not historically incurred, and do not expect to incur in the future, any losses as a result of counterparty default.

The information concerning market risk in Item 7A under the caption “Quantitative and Qualitative Disclosures about Market Risk” of our Annual Report on Form 10-K for the year ended December 31, 2021 is hereby incorporated by reference.

Item 4. *Controls and Procedures*

Evaluation of Disclosure Controls and Procedures

As of the end of the period covered by this report, management, including our Principal Executive Officer and Principal Financial and Accounting Officer, evaluated the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934 ("Exchange Act")). Based upon, and as of the date of, the evaluation, our Principal Executive Officer and Principal Financial and Accounting Officer concluded that the disclosure controls and procedures were effective to ensure that information required to be disclosed in the reports we file and submit under the Exchange Act is recorded, processed, summarized and reported as and when required and is accumulated and communicated to our management, including our Principal Executive Officer and Principal Financial and Accounting Officer, as appropriate to allow timely decisions regarding required disclosure.

Changes in Internal Control Over Financial Reporting

There were no changes in our internal control over financial reporting during the quarter ended March 31, 2022 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

We have not experienced any material impact to our internal controls over financial reporting despite the fact that our employees continue to work remotely. As previously disclosed, in recent periods we have enhanced our oversight and monitoring during the closing and reporting processes and we continue to monitor and assess the effects of remote work on our internal controls to minimize the impact on their design and operating effectiveness.

PART II. OTHER INFORMATION

Item 1. *Legal Proceedings*

For a discussion of material legal proceedings affecting the Company, see note 11 to the unaudited, consolidated financial statements included in this report.

Item 1A. *Risk Factors*

Except as set forth below, there have been no changes to the risk factors described in Part 1, Item 1A in our Annual Report on Form 10-K for the year ended December 31, 2021. The following risk factor corrects and supersedes the risk factor entitled “Global climate change presents challenges to our business which could materially adversely affect us,” and is being restated solely to correct an inadvertent typographical error contained in the originally presented risk factor.

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

The effects of climate change create financial and operational risks to our business, both directly and indirectly. We have made several public statements regarding our intended reduction of carbon emissions, including our goal to achieve carbon neutrality in our global operations by 2050, and our other short- and mid-term environmental sustainability goals. We may be required to expend significant additional resources to acquire assets or on remediation efforts to meet these goals, which could significantly increase our operational costs. We could also be required to write down the carrying value of assets, which could result in impairment charges.

Further, there can be no assurance of the extent to which any of our goals will be achieved, or that any future investments we make will meet investor expectations or any legal standards regarding sustainability performance. In particular, our ability to meet our goals depends in part on significant technological advancements with respect to the development and availability of reliable, affordable and sustainable alternative solutions, including aviation fuel and alternative fuel vehicles. Moreover, we may determine that it is in our best interests to prioritize other business, social, governance or sustainable investments over the achievement of our current goals based on economic, regulatory or social factors, business strategy or other factors. If we do not meet these goals, then, in addition to regulatory and legal risks related to compliance, we could incur adverse publicity and reaction, which could adversely impact our reputation, and in turn adversely impact our results of operations. While we remain committed to being responsive to climate change and reducing our carbon footprint, there can be no assurance that our goals and strategic plans to achieve those goals will be successful, that the costs related to climate transition will not be higher than expected, that the necessary technological advancements will occur in the timeframe we expect, or at all, or that proposed regulation or deregulation related to climate change will not have a negative competitive impact, any one of which could have a material adverse effect on our capital expenditures, operating margins and results of operations.

Item 2. ***Unregistered Sales of Equity Securities and Use of Proceeds***

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

	Total Number of Shares Purchased [1]	Average Price Paid Per Share	Total Number of Shares Purchased as Part of a Publicly Announced Program	Approximate Dollar Value of Shares that May Yet be Purchased Under the Program
January 1 - January 31, 2022	0.3	$ 208.14	0.3	$ 4,427
February 1 - February 28, 2022	0.4	215.00	0.4	4,344
March 1 - March 31, 2022	0.5	211.52	0.5	$ 4,240
Total January 1 - March 31, 2022	1.2	$ 211.65	1.2	

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

In August 2021, the Board of Directors approved a share repurchase authorization for $5.0 billion of class A and class B common stock. We repurchased 1.2 million shares of class B common stock for $260 million under this program during the three months ended March 31, 2022. As of March 31, 2022, we had $4.2 billion available under this authorization. We anticipate our share repurchases will be approximately $2.0 billion for all of 2022.

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

Exhibits

3.1	—	Restated Certificate of Incorporation of United Parcel Service, Inc. (incorporated by reference to Exhibit 3.3 to Form 8-K filed on May 12, 2010).
3.2	—	Amended and Restated Bylaws of United Parcel Service, Inc. as of November 17, 2017 (incorporated by reference to Exhibit 3.1 to Form 8-K, filed on November 17, 2017).
10.1	—	Separation Agreement between UPS and Juan Perez, dated February 28, 2022.
10.2	—	Separation Agreement between UPS and Scott Price, dated March 1, 2022.
31.1	—	Certification of the Principal Executive Officer Pursuant to Rule 13a-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	—	Certification of the Principal Financial and Accounting Officer Pursuant to Rule 13a-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	—	Certification of the Principal Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	—	Certification of the Principal Financial and Accounting Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101	—	The following unaudited financial information from this Quarterly Report on Form 10-Q for the quarter ended March 31, 2022 is formatted in Inline XBRL (Inline Extensible Business Reporting Language): (i) the Consolidated Balance Sheets, (ii) the Statements of Consolidated Income, (iii) the Statements of Consolidated Comprehensive Income (Loss), (iv) the Statements of Consolidated Cash Flows, and (v) the Notes to the Consolidated Financial Statements.
104	—	Cover Page Interactive Data File - The cover page from this Quarterly Report on Form 10-Q for the quarter ended March 31, 2022 is formatted in Inline XBRL (included as Exhibit 101).

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

UNITED PARCEL SERVICE, INC.
(Registrant)

Date: May 4, 2022

By: /s/ BRIAN O. NEWMAN

Brian O. Newman
Executive Vice President and Chief Financial Officer
(Principal Financial and Accounting Officer)

Exhibit 10.1

SEPARATION AGREEMENT

This Separation Agreement (the "Agreement") is entered into by and between **Juan Perez** ("Executive") and United Parcel Service, Inc. ("UPS" or the "Company"). Executive and UPS are collectively referred to herein as the "Parties."

WHEREAS, Executive's employment with the Company will end on March 31, 2022; and

WHEREAS, Executive and the Company wish to memorialize in writing certain terms relating to Executive's separation from the Company.

THEREFORE, Executive and the Company agree as follows:

1. Date of Separation. Executive shall cease serving as the Company's Chief Information and Engineering Officer effective March 31, 2022 (the "Separation Date"). As of the Separation Date, Executive shall resign from all other positions that Executive holds (if any) as an officer, employee or director of the Company or any of its subsidiaries, affiliates or related business entities (collectively, the "UPS Entities"), and shall promptly execute any documents and take any actions as may be necessary or reasonably requested by the Company to effectuate or memorialize Executive's termination from all positions with the UPS Entities.

2. Continuing Performance. Executive shall devote substantially all of Executive's professional time and attention during usual business hours to the performance of his Chief Information and Engineering Officer duties for the Company until the Separation Date. Executive acknowledges that March 31, 2022 will be his last day of employment by the Company.

3. Executive Benefits Upon Separation.

a. Accrued Compensation. The Company shall pay to Executive, in a lump sum in cash within 30 days after the Separation Date (or earlier, if required by applicable law), the aggregate of the following amounts: the sum of (i) Executive's base salary through the Separation Date to the extent not theretofore paid, (ii) Executive's business expenses that are reimbursable pursuant to applicable Company policies and procedures but have not been reimbursed by the Company as of the Separation Date (the sum of the amounts described in subclauses (i) and (ii), the "Accrued Cash Amounts");

b. Other Benefits. Executive shall be entitled to accrued, vested benefits under any benefit plans, programs or arrangements of the Company in which Executive participates that are not otherwise addressed in this Section 3 (including any vested benefits under the Company's qualified and nonqualified retirement plans but specifically excluding any other severance plans, agreements or arrangements), subject to the terms of such plans, programs or arrangements (the "Accrued Benefits," and, together with the Accrued Cash Amounts, the "Accrued Obligations"). Except as otherwise expressly stated herein or as otherwise required by law, as of the Separation Date Executive shall cease to participate in all employee benefits, plans, policies and practices provided by the Company.

c. Separation Compensation. In consideration for and contingent upon Executive (X) signing this Agreement, and (Y) signing, no earlier than the Separation Date and no later than 21 days following the Separation Date (the "Release Deadline"), the General Waiver and Release attached hereto as Attachment 1 (the "Release"), and letting the Release become effective as set forth in the Release, Executive shall become entitled to the benefits set forth in this Section 3.c (the "Separation Benefit"). If Executive does not sign the Release on or before the Release Deadline, or if Executive revokes the Release in accordance with its terms, then Executive shall forfeit any right to the Separation Benefit. The Separation Benefit is as follows:

i. Treatment of Outstanding Equity Awards. Equity compensation awards granted by the Company to Executive pursuant to the United Parcel Service, Inc. 2015 Omnibus Incentive Compensation Plan (the "2015 Plan") the United Parcel Service, Inc. 2018 Omnibus Incentive Compensation Plan (the "2018 Plan") and the United Parcel Service, Inc. 2021 Omnibus Incentive Compensation Plan (the "2021 Plan," and, together with the 2015 Plan and 2018 Plan, the "Equity Plans") and outstanding as of the Separation Date shall be treated as set forth below:

8,265 of the unvested time-based restricted stock units ("RSUs") previously granted to Executive under the 2018 Plan on May 13, 2020 pursuant to the Retention Arrangement Letter dated April 7, 2020, plus any dividend equivalent units ("DEUs") credited with respect to such RSUs, which were scheduled to vest on May 13, 2022, shall vest in full immediately following the Separation Date and be paid to Executive at the time that such RSUs and DEUs would have been paid had Executive continued to be employed with the Company. The remaining 16,531 unvested RSUs and DEUs, which were scheduled to vest on May 13, 2023, under such award shall be forfeited.

Except as otherwise described above, outstanding equity-based awards held by Executive under the Equity Plans shall operate in accordance with the terms of the applicable Equity Plans and related terms and conditions thereunder.

The Separation Benefit and the Accrued Obligations shall be in full satisfaction of any amounts due to Executive under any compensation or benefit arrangements of the Company, including but not limited to the Equity Plans. Executive acknowledges and agrees that, if Executive violates or breaches any term of this Agreement, including but not limited to Section 5 hereof, Executive will forfeit any portion of the Separation Benefit that has not already been paid to Executive at the time of the violation or breach. Executive further acknowledges and agrees that the Separation Benefit does not constitute a benefit to which Executive would otherwise be entitled as a result of Executive's termination of employment with the Company, that such Separation Benefit would not be due unless Executive signs the Release, and that such Separation Benefit constitutes fair and adequate consideration for Executive's promises and covenants set forth in this Agreement and the Release.

4. Continuing Duties.

a. Post-Separation Transition. During the three-month period following the Separation Date, and from time to time after that as may be necessary, Executive agrees to cooperate in good faith with the Company regarding reasonable transitional assistance that may be requested by the Company, including but not limited to (i) answering questions about matters relating to the business of the Company or its affiliates as to which Executive has knowledge, and (ii) forwarding to an appropriate person designated by the Company any email, voicemail message or other communication received by Executive after the Separation Date that relates to the Company, its affiliates, or their respective businesses. The Company agrees to make reasonable efforts to minimize the burden on Executive with regard to the foregoing transitional activities, including scheduling telephone calls and meetings at times and locations that are reasonably convenient for Executive.

b. Cooperation. As further consideration for the covenants set forth herein, Executive hereby agrees to reasonably cooperate in good faith with any lawyer, law firm, or consultant that the Company designates with respect to any litigation, deposition, hearing, arbitration, inquiry, investigation or other proceeding, in any jurisdiction arising out of or relating to matters of which Executive was involved prior to the Separation Date with the Company or which Executive gained knowledge of during his employment with the Company (including, but not limited to, support of the Company's, or that of any of its affiliates', position in defending any general liability-related lawsuits, employment-related lawsuits or claims concerning which Executive has knowledge, or audits, investigations, lawsuits, complaints or proceedings by government entities of state or federal law compliance) where the legal or financial interests of the Company or any of its affiliates are at material issue. Executive further covenants that, except with respect to an investigation or proceeding conducted by a governmental entity or where prohibited by law, Executive will (i) contact the Company as soon as reasonably practicable, but in no event longer than seventy-two (72) hours, in the event that Executive is served with or notified of any subpoena, notice or other instruction directing Executive to appear, or produce documents or other information, in any legal proceeding involving the Company or any of its affiliates, and (ii) will make no such appearance or disclosure, unless required by law, until the Company has had a reasonable opportunity to contest the right of the requesting person or entity to such appearance or disclosure. The Company shall timely reimburse Executive for reasonable travel expenses and other reasonable out-of-pocket expenses associated with Executive's compliance with the obligations in this Section 4. The Company will exercise its rights in good faith under this Section 4 so as not to unreasonably interfere with Executive's professional activities.

5. Restrictive Covenants.

a. Acknowledgments.

i. Key Employee. Executive acknowledges and agrees that, by reason of his highly specialized skillset and the Company's investment of time, training, money, trust, and exposure to Confidential Information, Executive is intimately involved in the planning and direction of the Company's global business operations.

ii. Consideration. Executive acknowledges and agrees that his execution of and compliance with this Agreement are material factors in the Company's decision to provide Executive with the compensation and benefits provided for in this Agreement, as well as access to Confidential Information that is not provided to other employees of the Company, which constitute good and valuable consideration for the covenants set forth in this Agreement.

iii. Potential Unfair Competition. Executive acknowledges and agrees that, as a result of his receipt of Confidential Information, his role at UPS, and his relationships with UPS customers and employees, Executive would have an unfair competitive advantage if Executive were to violate this Agreement.

iv. No Undue Hardship. Executive acknowledges and agrees that, in the event that his employment with the Company terminates for any reason, Executive possesses marketable skills and abilities that will enable him to find suitable employment without violating the covenants set forth in this Agreement.

v. Voluntary Execution. Executive acknowledges and affirms that Executive is executing this Agreement freely, knowingly and voluntarily, that Executive has read this Agreement carefully, that Executive has had a full and reasonable opportunity to consider this Agreement (including an opportunity to consult with legal counsel), and that Executive has not been pressured or in any way coerced, threatened or intimidated into signing this Agreement.

b. Definitions.

i. "Company" means, solely for purposes of this Section 5, United Parcel Service, Inc., a Delaware corporation with its principal place of business in Atlanta, Georgia, and all of its Affiliates (as defined in O.C.G.A. § 13-8-51(1)).

ii. "Confidential Information" means all information regarding the Company, its activities, businesses or customers which Executive learned as a result of his employment, that is valuable to the Company and that is not generally disclosed by practice or authority to persons not employed or otherwise engaged by the Company, but that does not rise to the level of a Trade Secret. "Confidential Information" shall include, but is not limited to, financial plans and data; legal affairs; management planning information; business plans; acquisition plans; operational methods and technology; market studies; marketing plans or strategies; product development techniques or plans; customer lists; details of customer contracts; current and anticipated customer requirements and specifications; customer pricing and profitability data; past, current and planned research and development; employee-related information and new personnel acquisition plans. "Confidential Information" shall not include information that is or becomes generally available to the public by the act of one who has the right to disclose such information without violating any right or privilege of the Company. However, although certain information may be generally known in the relevant industry, the fact that the Company uses such information may not be so known and in such instance the information would compromise Confidential Information. This definition shall not limit any definition of "confidential information" or any equivalent term under applicable state or federal law.

iii. "Protected Customers" means customers or actively sought potential customers with whom Executive had material contact, which shall include customers or actively sought potential customers (A) who Executive dealt with on behalf of the Company; (B) whose dealings with the Company are or were coordinated or supervised by Executive; or (C) about whom Executive obtained Confidential Information as a result of his employment with the Company.

iv. "Protected Employee" means an employee of the Company who is employed by the Company at the time of any solicitation or attempted solicitation by Executive.

v. "Restricted Competitors" means the companies and/or organizations listed on Attachment 2 to this Agreement, and incorporated herein by reference.

vi. "Restricted Period" means during Executive's employment with UPS and for a period of two (2) years thereafter.

vii. "Trade Secret" means all of the Company's information that Executive learned about as a result of his employment, without regard to form, including, but not limited to, technical or nontechnical data, a formula, a pattern, a compilation, a program, a device, a method, a technique, a drawing, a process, financial data, financial plans, product plans, distribution lists or a list of actual or potential customers, advertisers or suppliers, that (A) derives economic value, actual or potential, from not being generally known to the public or to other persons who can obtain economic value from its disclosure or use; and (B) is the subject of efforts that are reasonable under the circumstances to maintain its secrecy. This definition shall not limit any definition of "trade secrets" or any equivalent term under applicable law.

c. Non-Disclosure and Prohibition Against Use of Confidential Information and Trade Secrets. Executive agrees that he will not, directly or indirectly, reveal, divulge, or disclose any Confidential Information or Trade Secrets to any Person not expressly authorized by the Company to receive such information. Executive further agrees that he will not, directly or indirectly, use or make use of any Confidential Information or Trade Secrets in connection with any business activity other than business activity that Executive is pursuing on behalf of the Company. Executive acknowledges and agrees that this Agreement is not intended to, and does not, alter either the Company's rights or Executive's obligations under any state or federal statutory or common law regarding trade secrets and unfair trade practices. Executive also understands that nothing contained in this Agreement limits Executive's ability to communicate with any federal, state or local governmental agency or commission ("Government Agencies") or otherwise participate in any investigation or proceeding that may be conducted by any Government Agencies in connection with any charge or complaint, whether filed by Executive, on his behalf, or by any other individual. Executive additionally understands and agrees that if he makes a confidential disclosure of a Company Trade Secret (as defined in 18 U.S.C. §1839) to a government official or an attorney for the sole purpose of reporting or investigating a suspected violation of law, or in a court filing under seal, Executive shall not be held liable under this Agreement or under any federal or state trade secret law for such a disclosure.

d. Non-Solicitation of Protected Employees. During the Restricted Period, Executive will not, without the prior written consent of the Company, directly or indirectly, solicit or induce or attempt to solicit or induce any Protected Employee to terminate his/her employment relationship with the Company or to enter into employment with Executive or any other person or entity.

e. Non-Solicitation of Protected Customers. During the Restricted Period, Executive will not, without the prior written consent of the Company, directly or indirectly, solicit, divert, take away or attempt to solicit, divert or take away a Protected Customer for purposes of providing products and services that are competitive with those provided by the Company.

f. Covenant Not to Compete. During the Restricted Period, Executive will not, without the prior written consent of the Company, (i) work for a Restricted Competitor; (ii) provide advice or consulting services to a Restricted Competitor; or (iii) otherwise provide services to a Restricted Competitor that are similar to those services that Executive provided to the Company and that are competitive with the transportation, delivery or logistics services provided by the Company during Executive's employment. Executive understands and agrees that this non-compete provision is limited to the geographic area where the Company did business during Executive's employment.

g. Non-Disparagement. Except as otherwise provided in Section 6 below, Executive will not make any statements that are derogatory or disparaging towards any of the Company, its affiliates and related entities, and each of their respective current and former officers, directors, shareholders, managers, members, partners, employees, agents, employee benefit plans and fiduciaries, insurers, attorneys, agents, trustees, professional employer organizations, successors and assigns (each a "Non-Disparagement Party" and collectively, the "Non-Disparagement Parties"). For the purposes of this Agreement, the term "disparage" includes, without limitation, comments or statements made in any manner or medium (including, without limitation, to the press and/or media, the Non-Disparagement Parties or any individual or entity) which would adversely affect in any manner (i) the conduct of the business of any of the Non-Disparagement Parties (including, without limitation, any Non-Disparagement Party's business plans or prospects) or (ii) the business reputation of any Non-Disparagement Party.

h. Enforcement of Protective Covenants. Executive acknowledges and agrees that the covenants in Sections 5.c through 5.g (the "Protective Covenants") are necessary to protect the Company's legitimate business interests, and that they will not unduly impair Executive's ability to find other employment. In the event that Executive breaches, or threatens to breach, the Protective Covenants, Executive agrees that the Company shall have the right and remedy to, in addition to and not in lieu of any other remedy to which the Company may be entitled, enjoin Executive, preliminarily and permanently (without the necessity of posting bond), from violating or threatening to violate the Protective Covenants because any breach or threatened breach of the Protective Covenants would cause irreparable injury to the Company and that money damages would not provide an adequate remedy. Further, in addition to, and not in lieu of, any other remedy to which the Company may be entitled, no further payments or benefits of any kind that would otherwise inure to Executive pursuant to Section 3.c of this Agreement shall accrue or be owed, and all future payments and benefits thereunder shall be forfeited, immediately upon Executive's breach of any of the covenants in this Section 5.

i. Severability/Reformation. Executive acknowledges and agrees that the Protective Covenants are reasonable in time, scope and all other respects and that they will be considered and construed as separate and independent covenants. Should any part or provision of any of the Protective Covenants be held invalid, void or unenforceable in any court of competent jurisdiction, Executive understands and agrees that such invalidity, voidness or unenforceability does not invalidate, void or otherwise render unenforceable any other part or provision of this Agreement. Executive further agrees that, in the event any court of competent jurisdiction finds any of the Protective Covenants to be invalid or unenforceable (in whole or in part), the invalid or unenforceable term must be modified or redefined, or a new enforceable term provided, so that the Protective Covenants are enforceable to the fullest extent permitted by law.

j. Tolling During Litigation. Executive understands and agrees that if Executive violates any of the Protective Covenants, the period of restriction applicable to each obligation violated will not run during any litigation over such violation, provided that such litigation was initiated during the period of the restriction.

k. Waiver. Executive acknowledges that any waiver by the Company of any breach of this Agreement by Executive shall not be effective unless confirmed in writing, and that no such waiver shall operate or be construed as a waiver of the same breach or another breach on a subsequent occasion.

l. Disclosure of Agreement. Executive agrees to disclose the existence and terms of this Agreement to any prospective employer, partner, co-venturer, investor or lender prior to entering into an employment, partnership or other business relationship with such prospective employer, partner, coventurer, investor or lender.

6. Permitted Disclosures. Nothing contained in this Agreement limits Executive's ability to file a charge or complaint with the Equal Employment Opportunity Commission or any other federal, state or local governmental agency or commission (collectively, "Government Agencies"), or prevents Executive from providing truthful testimony in response to a lawfully issued subpoena or court order. Further, this Agreement does not limit Executive's ability to communicate with any Government Agencies or otherwise participate in any investigation or proceeding that may be conducted by any Government Agency, including providing documents or other information, without notice to the Company, and for purposes of clarity Executive is not prohibited from providing information voluntarily to the Securities and Exchange Commission pursuant to Section 21F of the Securities Exchange Act of 1934, as amended. Executive is hereby notified that under the Defend Trade Secrets Act: (a) no individual will be held criminally or civilly liable under federal or state trade secret law for disclosure of a trade secret (as defined in the Economic Espionage Act) that is: (i) made in confidence to a federal, state, or local government official, either directly or indirectly, or to an attorney, and made solely for the purpose of reporting or investigating a suspected violation of law; or (ii) made in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal so that it is not made public; and (b) an individual who pursues a lawsuit for retaliation by an employer for reporting a suspected violation of the law may disclose the trade secret to the attorney of the individual and use the trade secret information in the court proceeding, if the individual files any document containing the trade secret under seal, and does not disclose the trade secret, except as permitted by court order. The Company nonetheless asserts and does not waive its attorney-client privilege over any information appropriately protected by privilege.

7. **Return of Materials**. Immediately following the termination of Executive's employment for any reason or upon request from the Company at any other time, Executive agrees to return all materials, documents, and/or information in Executive's possession or control relating to the Company without retaining any copies in either electronic or hard copy form. Executive also agrees that following his termination for any reason, or upon request from the Company, he will return all in reasonable working order materials, documents, and/or information that he received or created in connection with his work for the Company and its affiliates, including but not limited to Confidential Information and Trade Secrets. Such documents, materials and information shall include, without limitation, documents, materials, equipment, keys, credit cards, financial information, correspondence, computer equipment and data, and other documents and things belonging to the Company, including but not limited to Confidential Information and Trade Secrets.

8. **No Re-Employment**. Executive agrees that he will not seek or accept employment with the Company, including assignment to or on behalf of the Company as an independent contractor or through any third party, and the Company has no obligation to consider Executive for any future employment or assignment.

9. **No Admission of Liability**. Executive agrees not to assert that this Agreement is an admission of guilt or wrongdoing by the Company or any Non-Disparagement Party, and Executive acknowledges that the Company and the Non-Disparagement Parties deny that they have engaged in wrongdoing of any kind or nature.

10. **Taxation and Withholding; 409A Compliance**.

a. Executive acknowledges that payments and benefits hereunder may be taxable and that the Company makes no representation or warranty regarding the income tax effects of any payment or benefit provided hereunder. Executive shall be solely responsible for any tax liability with respect to all payments and benefits provided under this Agreement. The Company may withhold from any amounts payable under this Agreement such federal, state or local taxes as shall be required to be withheld pursuant to any applicable law or regulation.

b. If, (i) as of the date hereof, Executive is or was party to an agreement or arrangement with the Company that entitled Executive to compensation or benefits which is considered deferred compensation for purposes of Section 409A (in each case, an "Other Severance Arrangement"), and (ii) the time and form of the payments under this Agreement would result in tax penalties under Section 409A of the Internal Revenue Code ("Section 409A"), then, to the extent necessary to avoid tax penalties under Section 409A, any amounts owed pursuant to this Agreement shall instead be paid (to the extent possible) at the time and in the manner provided for in such Other Severance Arrangement.

c. It is the intention of both Executive and the Company that the benefits and rights to which Executive is entitled pursuant to this Agreement are exempt from or comply with Section 409A, to the extent that the requirements of Section 409A are applicable thereto, and the provisions of this Agreement shall be construed in a manner consistent with that intention. If Executive or the Company believe, at any time, that any such benefit or right that is subject to Section 409A does not so comply, Executive or the Company shall promptly advise the other and shall negotiate reasonably and in good faith to amend the terms of such benefits and rights such that they comply with Section 409A (with the most limited possible economic effect on Executive and the Company).

d. Notwithstanding any provision of this Agreement to the contrary, to the extent any reimbursement or in-kind benefit provided under this Agreement is nonqualified deferred compensation within the meaning of Section 409A: (i) the amount of expenses eligible for reimbursement, or in-kind benefits provided, during a calendar year may not affect the expenses eligible for reimbursement, or in-kind benefits to be provided, in any other taxable year; (ii) the reimbursement of an eligible expense must be made on or before the last day of the calendar year following the calendar year in which the expense was incurred; and (iii) the right to reimbursement or in-kind benefits is not subject to liquidation or exchange for another benefit.

e. Notwithstanding anything herein to the contrary, if, as of the date of Executive's separation from service (i) Executive is a "specified employee" as determined under Section 409A, then any portion of the compensation provided for herein that is subject to and not exempt from Section 409A and that would otherwise be payable within the first six (6) months following such separation from service shall be delayed until the first regular payroll date of the Company following the six (6) month anniversary of Executive's separation from service to the extent required for compliance with Section 409A.

11. Severability. In the event any portion or clause of this Agreement is deemed invalid or unenforceable in a court of law, the remainder of the Agreement shall be severed from the invalid or unenforceable portion.

12. Entire Agreement. Except as otherwise expressly provided in this Agreement, any prior agreement (whether written or oral) between the parties with respect to the subject matter of this Agreement, including the UPS Protective Covenant Agreement between the Company and Executive dated as of April 14, 2020 and the retention arrangement letter with Executive dated as of April 7, 2020 (the "Retention Arrangement Letter"), is null and void, as this Agreement expresses the entire agreement of the parties with respect to its subject matter. This Agreement may only be modified in writing signed by both Parties.

13. Assignment. This Agreement shall accrue to the benefit of the Company and its successors and assigns, and shall be freely assignable to any entity with which the Company may merge or otherwise combine, or to which the Company may transfer substantial assets. This Agreement is personal to Executive and may not be assigned by Executive.

14. Governing Law. This Agreement shall be construed in accordance with, and governed by, the laws of the State of Georgia. The Company and Executive agree that the federal or state courts of Georgia have exclusive jurisdiction over any dispute relating to this Agreement and specifically consent to personal jurisdiction in such courts, even if Executive no longer resides in Georgia at the time of any dispute arising out of or involving this Agreement.

15. Interpretation. This Agreement shall be construed as a whole according to its fair meaning. It shall not be construed strictly for or against either Party. Unless the context indicates otherwise, the singular or plural number shall be deemed to include the other. Captions are intended solely for convenience of reference and shall not be used in the interpretation of this Agreement.

16. **Counterparts**. This Agreement may be executed in counterparts, including those transmitted by electronic means, each of which shall be deemed an original and all of which taken together shall constitute one and the same document.

17. **Survival of Obligations**. Notwithstanding any provision herein to the contrary, Sections 5, 6, and 7 of this Agreement shall survive any termination of Executive's employment with the Company and continue in full force and effect.

18. **Authorizations**. The Parties hereby represent and warrant that it or he (as applicable) has the power and authority to execute, deliver and perform this Agreement, that this Agreement has been duly authorized by all necessary corporate action on the part of such Party, that this Agreement constitutes a legal, valid and binding obligation of each such Party and that the execution, delivery and performance of this Agreement by such Party does not contravene or conflict with any provision of law or of its charter or bylaws or any material agreement, instrument or order binding on such Party.

[Signature Page Follows]

IN WITNESS WHEREOF, the Parties have executed this Agreement effective as of the Effective Date.

United Parcel Service, Inc.

By:/s/ Norman M. Brothers, Jr.
Name: Norman M. Brothers, Jr.
Title: Chief Legal and Compliance Officer

/s/ Juan Raul Perez
Name: Juan Perez

[Signature Page to Separation Agreement]

ATTACHMENT 1

GENERAL WAIVER AND RELEASE

This General Waiver and Release (this "Release") is provided by **Juan Perez** ("Executive"), pursuant to the Separation Agreement by and between United Parcel Service, Inc. (the "Company") and Executive dated as of the applicable date referenced therein (the "Separation Agreement"). Capitalized terms used but not defined herein have the meanings assigned to them in the Separation Agreement.

1. Conditions Precedent. Executive acknowledges and agrees that his ongoing compliance with the terms and conditions of the Separation Agreement and this Release is a condition precedent to the Company's obligation to provide the Separation Benefit.

2. Executive Released Claims.

a. For and in consideration of the Separation Benefit, the adequacy of which is hereby acknowledged, Executive hereby fully and completely releases, acquits and forever discharges the Company, its affiliates and related entities, and each of their respective current and former officers, directors, shareholders, managers, members, partners, employees, agents, employee benefit plans and fiduciaries, insurers, attorneys, agents, trustees, professional employer organizations, successors and assigns (each a "Released Party" and collectively, the "Released Parties"), collectively, separately, and severally, of and from any and all claims, demands, damages, causes of action, debts, liabilities, controversies, judgments, and suits of every kind and nature whatsoever, known or unknown, which Executive has had, now has, or may have against the Released Parties (or any of them) from the beginning of time through the date Executive signs this Release, with the exception of any claims that cannot legally be waived by private agreement (the claims released in this Release are collectively referred to as the "Released Claims"). The Released Claims include: (i) all claims arising under any federal, state or local statute or ordinance, constitutional provision, public policy or common law, including all claims under Title VII of the Civil Rights Act of 1964, the Age Discrimination in Employment Act of 1967 (the "ADEA"), the Equal Pay Act, the Civil Rights Act of 1866, the Employee Retirement Income Security Act, COBRA, the Americans with Disabilities Act, the Family and Medical Leave Act, the Worker Adjustment and Retraining Notification Act, the Georgia Equal Pay Act, the Georgia Prohibition of Age Discrimination in Employment Act, and the Georgia Equal Employment for People with Disabilities Code, all as amended; (ii) all claims arising under discrimination laws, whistleblower laws and laws relating to violation of public policy, retaliation, or interference with legal rights; (iii) all claims for compensation of any type whatsoever, including but not limited to claims for wages, bonuses, commissions, incentive compensation, equity, vacation, PTO and severance; (iv) all claims arising under tort, contract and/or quasi-contract law; (v) all claims for monetary or equitable relief, including but not limited to attorneys' fees, back pay, front pay, reinstatement, experts' fees, medical fees or expenses, costs and disbursements; and (vi) all claims, counterclaims, demands, debts, actions, causes of action, suits, expenses, costs, attorneys' fees, accountants' fees, damages, indemnities, obligations and/or liabilities of any nature whatsoever, whether known or unknown, in law or in equity, which are related to, or directly or indirectly arise from, the assessment against, or any other application or possible application to, Executive of any penalties or additional tax under Section 409A of the Internal Revenue Code of 1986, as amended, related in any way to the payments and benefits provided pursuant to the Separation Agreement. Executive hereby waives any right to seek or recover any individual relief (including any money damages, reinstatement, or other relief) in connection with any of the Released Claims through any charge, complaint, lawsuit, or other proceeding, whether commenced or maintained by Executive or by any other person or entity, with the exception of any right to seek an award for information provided to a government agency pursuant to Section 21F of the Securities Exchange Act of 1934 or other whistleblower statute.

b. Release of ADEA Claims. The Released Claims include any claims Executive may have against any of the Released Parties under the ADEA. Executive has twenty one (21) calendar days to consider this Release and decide whether to sign it (the "Consideration Period"). If Executive decides to sign this Release before the expiration of the Consideration Period, which is solely Executive's choice, Executive represents that his decision is knowing and voluntary. Executive agrees that any revisions made to this Release after it was initially delivered to Executive, whether material or immaterial, do not restart the Consideration Period. The Company advises Executive to consult with an attorney prior to signing this Release.

c. Right to Revoke. Executive may revoke this Release within seven (7) calendar days after Executive has signed it. This Release will not become effective or enforceable until the eighth (8th) calendar day after Executive has signed this Release without having revoked it (the "Effective Date"). If Executive chooses to revoke this Release, Executive must notify the Company in writing addressed to the Company's designated agent for this purpose:

Norman M. Brothers Jr.
Chief Legal and Compliance Officer
UPS
55 Glenlake Parkway NE
Atlanta, Georgia 30328

Any such notice of revocation must be delivered to the Company at the foregoing address in a manner calculated to ensure receipt prior to 11:59 p.m. on the day prior to the Effective Date. If Executive revokes this Release, Executive will not be entitled to the Separation Benefit.

d. Unknown Claims. Executive understands that the Released Claims may be known or unknown to him at the time of his execution of this Release. It is Executive's knowing and voluntary intent, even though he recognizes that someday he might learn that some or all of the facts he currently believes to be true are untrue and even though he might then regret having signed this Release. Nevertheless, Executive is assuming that risk and Executive agrees that this Release shall remain effective in all respects in any such case. Executive expressly waives all rights he might have under any law that is intended to protect Executive from waiving unknown claims. Executive understands the significance of doing so.

3. Covenant Not to Sue. Except as otherwise provided in Section 7 below, Executive promises that he will not file, instigate or participate in any proceeding against any of the Released Parties relating to any of the Released Claims. In the event Executive breaches the covenant contained in this Section 3, Executive agrees to indemnify the Released Parties for all damages and expenses, including attorneys' fees, incurred by any Released Parties in defending, participating in or investigating any matter or proceeding covered by this Section 3.

4. Excluded Claims. The Released Claims do not release or impair (a) the Company's promises and obligations under the Separation Agreement; (b) any rights under any grants of stock options, restricted stock, or other forms of equity that may have been provided to Executive during his employment (such grants to be governed by the applicable incentive plan and grant agreement(s) and the Separation Agreement); (c) any rights under applicable workers compensation laws; (d) any vested rights under a qualified retirement plan; (e) any other claims that cannot lawfully be released; (f) his ability to respond truthfully to a valid subpoena issued by, file a charge with, or participate in any investigation conducted by, a governmental agency; (g) any claims arising after the date of his execution of this Release; (h) any rights to insurance benefits under any Directors & Officers liability insurance policy maintained by the Company; or (i) any right that the Executive may have to indemnification or insurance coverage under the Separation Agreement, the Company's organizational documents, or any directors and officers insurance policy.

5. **Continuing Effectiveness of Separation Agreement**. Executive acknowledges and agrees that the Separation Agreement, and specifically Sections 4, 5, and 6 of the Separation Agreement, shall survive and continue in full force and effect following the date of termination of Executive's employment pursuant to its terms.

6. **Enforcement**. Executive acknowledges that any breach of any covenants set forth in this Release or Sections 4, 5, or 6 of the Separation Agreement would cause irreparable harm to the Company, the exact amount of which would be difficult to determine, and that the remedies at law for any such breach would be inadequate. Accordingly, Executive agrees that if he breaches or threatens to breach any of such covenants, the Company will be entitled to (a) cease or withhold payment to Executive of the Separation Benefit and (b) obtain specific performance and injunctive and other equitable relief, without posting bond or other security, to enforce or prevent any further violation of such covenants. In any action for injunctive relief, the prevailing party will be entitled to collect reasonable attorneys' fees and other reasonable costs from the non-prevailing party.

7. **Permitted Disclosures**. Nothing contained in this Release limits Executive's ability to file a charge or complaint with the Equal Employment Opportunity Commission or any other federal, state or local governmental agency or commission (collectively, "Government Agencies"), or prevents Executive from providing truthful testimony in response to a lawfully issued subpoena or court order. Further, this Release does not limit Executive's ability to communicate with any Government Agencies or otherwise participate in any investigation or proceeding that may be conducted by any Government Agency, including providing documents or other information, without notice to the Company, and for purposes of clarity Executive is not prohibited from providing information voluntarily to the Securities and Exchange Commission pursuant to Section 21F of the Securities Exchange Act of 1934, as amended. Executive is hereby notified that under the Defend Trade Secrets Act: (a) no individual will be held criminally or civilly liable under federal or state trade secret law for disclosure of a trade secret (as defined in the Economic Espionage Act) that is: (i) made in confidence to a federal, state, or local government official, either directly or indirectly, or to an attorney, and made solely for the purpose of reporting or investigating a suspected violation of law; or (ii) made in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal so that it is not made public; and (b) an individual who pursues a lawsuit for retaliation by an employer for reporting a suspected violation of the law may disclose the trade secret to the attorney of the individual and use the trade secret information in the court proceeding, if the individual files any document containing the trade secret under seal, and does not disclose the trade secret, except as permitted by court order. The Company nonetheless asserts and does not waive its attorney-client privilege over any information appropriately protected by privilege.

8. **Executive's Representations**. Executive represents and warrants that (a) he has been properly paid for all hours worked and he has received all wages, bonuses, vacation pay, expense reimbursements and any other sums due from the Company; (b) he has returned all of the Company's property in his possession or control and he has permanently deleted any Confidential Information and Trade Secrets stored on any networks, computers or information storage devices that are not owned by the Company but within his possession or control; (c) he has suffered no harassment, retaliation, employment discrimination, or work-related injury or illness while employed by the Company; (d) he is not aware of any activity by the Company or any other Released Party that he believes to be unlawful or potentially unlawful; (e) he has filed no claim, charge, suit or other action or proceeding against the Company or any other Released Party; and (f) he has not sold, assigned, transferred, conveyed or otherwise disposed of any of the claims, demands, obligations, or causes of action released in this Release. By signing this Release Executive acknowledges that Executive has read this Release carefully and understands all of its terms. Further, Executive acknowledges that Executive is entering into this Release voluntarily and of his own free will. In signing this Release, Executive acknowledges that

Executive has not relied on any statements or explanations made by anyone associated with or employed by the Company.

9. **Further Pursuit of Claims Under Company EDR Program**. Executive understands that by signing this Release he is waiving any rights pursuant to the Company's Employee Dispute Resolution Program ("EDR") to challenge or seek reconsideration of any employment action or to seek reconsideration of the terms of this Release.

10. **General Provisions**. The Released Parties expressly deny that they have any liability to the Executive, and this Release is not to be construed as an admission of any such liability. This Release is to be construed under the laws of the State of Georgia. This Release constitutes the entire agreement between the Executive and the Company with respect to the issues addressed in this Release. Both parties represent that they are not relying on any other agreements or oral representations not fully expressed in this Release. This Release may not be modified except in writing signed by the Executive and an authorized Company representative. The headings in this Release are for reference only, and do not in any way affect the meaning or interpretation of this Release. As used herein, the phrase "including" means "including, but not limited to" in each instance. "Or" is used in the inclusive sense of "and/or." As used herein, the plural includes the singular, and the singular includes the plural: Use of the plural, or the singular, as the case may be, throughout this Release shall be construed to give this Release a broader meaning and scope, rather than a narrower one. Should any part of this Release be found to be void or unenforceable by a court of competent jurisdiction or Government Agency, such determination will not affect the remainder of this Release. A facsimile or scanned (e.g., .PDF, .GIF, etc.) signature shall be deemed to be an original.

If Executive wishes to accept the Company's offer to provide the Separation Benefit, please sign, date and return a copy of this Release to the Company within twenty one (21) days after the Separation Date. Executive is not to sign this Release prior to the Separation Date. If not accepted, the Company's offer to enter into this Release and provide the Separation Benefit will expire at the close of business on the date that is twenty-one (21) days after the Separation Date.

[Signature Page Follows]

AGREED AND ACCEPTED BY:

Signature:/s/ Juan Raul Perez

Print Name: Juan R. Perez

Dated: February 28, 2022

Exhibit 10.2

SEPARATION AGREEMENT

This Separation Agreement (the "Agreement") is entered into by and between **Scott Price** ("Executive") and United Parcel Service, Inc. ("UPS" or the "Company"). Executive and UPS are collectively referred to herein as the "Parties."

WHEREAS, Executive's employment with the Company will end on March 31, 2022; and

WHEREAS, Executive and the Company wish to memorialize in writing certain terms of Executive's separation from the Company.

THEREFORE, Executive and the Company agree as follows:

1. Date of Separation. Executive shall cease serving as the Company's President, UPS International effective March 31, 2022 (the "Separation Date"). As of the Separation Date, Executive shall resign from all other positions that Executive holds (if any) as an officer, employee or director of the Company or any of its subsidiaries, affiliates or related business entities (collectively, the "UPS Entities"), and shall promptly execute any documents and take any actions as may be necessary or reasonably requested by the Company to effectuate or memorialize Executive's termination from all positions with the UPS Entities.

2. Continuing Performance. Executive shall devote substantially all of Executive's professional time and attention during usual business hours to the performance of his President, UPS International duties for the Company until the Separation Date. Executive acknowledges that March 31, 2022 will be his last day of employment by the Company.

3. Executive Benefits Upon Separation.

a. Accrued Compensation. The Company shall pay to Executive, in a lump sum in cash within 30 days after the Separation Date (or earlier, if required by applicable law), the aggregate of the following amounts: the sum of (i) Executive's base salary through the Separation Date to the extent not theretofore paid, (ii) Executive's business expenses that are reimbursable pursuant to applicable Company policies and procedures but have not been reimbursed by the Company as of the Separation Date (the sum of the amounts described in subclauses (i) and (ii), the "Accrued Cash Amounts");

b. Other Benefits. Executive shall be entitled to accrued, vested benefits under any benefit plans, programs or arrangements of the Company in which Executive participates that are not otherwise addressed in this Section 3 (including any vested benefits under the Company's qualified and nonqualified retirement plans but specifically excluding any other severance plans, agreements or arrangements), subject to the terms of such plans, programs or arrangements (the "Accrued Benefits," and, together with the Accrued Cash Amounts, the "Accrued Obligations"). Except as otherwise expressly stated herein or as otherwise required by law, as of the Separation Date Executive shall cease to participate in all employee benefits, plans, policies and practices provided by the Company.

c. Severance Compensation. In consideration for and contingent upon Executive (X) signing this Agreement, and (Y) signing, no earlier than the Separation Date and no later than 21 days following the Separation Date (the "Release Deadline"), the General Waiver and Release attached hereto as Attachment 1 (the "Release"), and letting the Release become effective as set forth in the Release, Executive shall become entitled to the payments and benefits set forth in this Section 3.c (the "Severance Benefits"). If Executive does not sign the Release on or before the Release Deadline, or if Executive revokes the Release in accordance with its terms, then Executive shall forfeit any right to the Severance Benefits. The Severance Benefits are as follows:

i. Lump Sum Cash Severance. The Company shall pay to Executive a lump sum amount in cash equal to $912,151. 20, representing (A) one-year of Executive's base salary and (B) a pro-rata portion of Executive's target award under the Company's 2022 Management Incentive Program. This amount shall be paid to Executive within 30 days of the Separation Date.

ii. Treatment of Outstanding Equity Awards. Equity compensation awards granted by the Company to Executive pursuant to the United Parcel Service, Inc. 2015 Omnibus Incentive Compensation Plan (the "2015 Plan"), the United Parcel Service, Inc. 2018 Omnibus Incentive Compensation Plan (the "2018 Plan") and the United Parcel Service, Inc. 2021 Omnibus Incentive Compensation Plan (the "2021 Plan," together with the 2015 Plan and 2018 Plan, the "Equity Plans") and outstanding as of the Separation Date shall be treated as set forth below:

4,089 unvested restricted performance units ("RPUs") granted to Executive under the Company's 2021 Management Incentive Plan on February 9, 2022, plus any dividend equivalent units ("DEUs") credited with respect to such RPUs, shall vest in full immediately following the Separation Date and convert to shares of the Company's class A common stock at the time that such RPUs would convert had Executive continued to be employed with the Company.

Outstanding RPUs granted to Executive under the Company's Long-Term Incentive Performance ("LTIP") program, plus DEUs credited with respect to such RPUs, shall vest as follows:

The target award of 33,012 RPUs (including DEUs) granted to Executive on May 13, 2020 shall be pro-rated to be 24,759 target RPUs (with the remaining target RPUs for such award forfeited). The actual number of RPUs (and any related DEUs) earned shall be determined based on actual Company performance following the completion of the performance period and shall be issued and converted to shares of the Company's class A common stock as follows: 50% of the actual number of RPUs (and any related DEUs) earned shall be issued and converted to shares of the Company's class A common stock at the time that such RPUs would be issued and converted had Executive continued to be employed with the Company; and the remaining 50% of such earned RPUs (and any related DEUs) will be issued on December 1, 2023.

The target award of 18,347 RPUs (including DEUs) granted to Executive on March 25, 2021 shall be pro-rated to be 7,645 target RPUs (with the remaining target RPUs for such award forfeited). The actual number of RPUs (and any related DEUs) earned shall be determined based on actual Company performance following the completion of the performance period and such number of RPUs shall be issued and converted to shares of the Company's class A common stock at the time that such RPUs would be issued and converted had Executive continued to be employed with the Company; and

Except as otherwise described above, such LTIP RPU awards shall continue in accordance with their terms (including with respect to the applicable performance objectives) as though Executive had remained continuously employed by the Company through the end of the applicable performance period.

Outstanding stock options granted to Executive pursuant to the Equity Plans under the Company's UPS Stock Option Program ("Options") that are unvested as of the Separation Date shall be forfeited upon the Separation Date. Outstanding Options that are vested as of the Separation Date shall expire and terminate at 4:00 p.m. Eastern Time on the 90th day following the Separation Date.

iii. Health Coverage. Executive will have the opportunity to purchase continued healthcare coverage through March 31, 2024. Executive is responsible for paying the full cost of coverage. Executive will receive information from the COBRA administrator for the UPS Flexible Benefits Plan regarding continuation of healthcare coverage. Continued coverage is dependent on timely payment of premiums.

The Severance Benefits and the Accrued Obligations shall be in full satisfaction of any amounts due to Executive under any compensation or benefit arrangements of the Company, including but not limited to the Equity Plans. Executive acknowledges and agrees that, if Executive violates or breaches any term of this Agreement, including but not limited to Section 5 hereof, Executive will forfeit any portion of the Severance Benefits that have not already been paid to Executive at the time of the violation or breach. Executive further acknowledges and agrees that the Severance Benefits do not constitute benefits to which Executive would otherwise be entitled as a result of Executive's termination of employment with the Company, that such Severance Benefits would not be due unless Executive signs the Release, and that such Severance Benefits constitute fair and adequate consideration for Executive's promises and covenants set forth in this Agreement and the Release.

4. Continuing Duties.

a. Post-Separation Transition. During the three-month period following the Separation Date, and from time to time after that as may be necessary, Executive agrees to cooperate in good faith with the Company regarding reasonable transitional assistance that may be requested by the Company, including but not limited to (i) answering questions about matters relating to the business of the Company or its affiliates as to which Executive has knowledge, and (ii) forwarding to an appropriate person designated by the Company any email, voicemail message or other communication received by Executive after the Separation Date that relates to the Company, its affiliates, or their respective businesses. The Company agrees to make reasonable efforts to minimize the burden on Executive with regard to the foregoing transitional activities, including scheduling telephone calls and meetings at times and locations that are reasonably convenient for Executive.

b. Cooperation. As further consideration for the covenants set forth herein, Executive hereby agrees to reasonably cooperate in good faith with any lawyer, law firm, or consultant that the Company designates with respect to any litigation, deposition, hearing, arbitration, inquiry, investigation or other proceeding, in any jurisdiction arising out of or relating to matters of which Executive was involved prior to the Separation Date with the Company or which Executive gained knowledge of during his employment with the Company (including, but not limited to, support of the Company's, or that of any of its affiliates', position in defending any general liability-related lawsuits, employment-related lawsuits or claims concerning which Executive has knowledge, or audits, investigations, lawsuits, complaints or proceedings by government entities of state or federal law compliance) where the legal or financial interests of the Company or any of its affiliates are at material issue. Executive further covenants that, except with respect to an investigation or proceeding conducted by a governmental entity or where prohibited by law, Executive will (i) contact the Company as soon as reasonably practicable, but in no event longer than seventy-two (72) hours, in the event that Executive is served with or notified of any subpoena, notice or other instruction directing Executive to appear, or produce documents or other information, in any legal proceeding involving the Company or any of its affiliates, and (ii) will make no such appearance or disclosure, unless required by law, until the Company has had a reasonable opportunity to contest the right of the requesting person or entity to such appearance or disclosure. The Company shall timely reimburse Executive for reasonable travel expenses and other reasonable out-of-pocket expenses associated with Executive's compliance with the obligations in this Section 4. The Company will exercise its rights in good faith under this Section 4 so as not to unreasonably interfere with Executive's professional activities.

5. Restrictive Covenants.

a. Acknowledgments.

i. Key Employee. Executive acknowledges and agrees that, by reason of his highly specialized skillset and the Company's investment of time, training, money, trust, and exposure to Confidential Information, Executive is intimately involved in the planning and direction of the Company's global business operations.

ii. Consideration. Executive acknowledges and agrees that his execution of and compliance with this Agreement are material factors in the Company's decision to provide Executive with the compensation and benefits provided for in this Agreement, as well as access to Confidential Information that is not provided to other employees of the Company, which constitute good and valuable consideration for the covenants set forth in this Agreement.

iii. Potential Unfair Competition. Executive acknowledges and agrees that, as a result of his receipt of Confidential Information, his role at UPS, and his relationships with UPS customers and employees, Executive would have an unfair competitive advantage if Executive were to violate this Agreement.

iv. No Undue Hardship. Executive acknowledges and agrees that, in the event that his employment with the Company terminates for any reason, Executive possesses marketable skills and abilities that will enable him to find suitable employment without violating the covenants set forth in this Agreement.

v. Voluntary Execution. Executive acknowledges and affirms that Executive is executing this Agreement freely, knowingly and voluntarily, that Executive has read this Agreement carefully, that Executive has had a full and reasonable opportunity to consider this Agreement (including an opportunity to consult with legal counsel), and that Executive has not been pressured or in any way coerced, threatened or intimidated into signing this Agreement.

b. Definitions.

i. "Company" means, solely for purposes of this Section 5, United Parcel Service, Inc., a Delaware corporation with its principal place of business in Atlanta, Georgia, and all of its Affiliates (as defined in O.C.G.A. § 13-8-51(1)).

ii. "Confidential Information" means all information regarding the Company, its activities, businesses or customers which Executive learned as a result of his employment, that is valuable to the Company and that is not generally disclosed by practice or authority to persons not employed or otherwise engaged by the Company, but that does not rise to the level of a Trade Secret. "Confidential Information" shall include, but is not limited to, financial plans and data; legal affairs; management planning information; business plans; acquisition plans; operational methods and technology; market studies; marketing plans or strategies; product development techniques or plans; customer lists; details of customer contracts; current and anticipated customer requirements and specifications; customer pricing and profitability data; past, current and planned research and development; employee-related information and new personnel acquisition plans. "Confidential Information" shall not include information that is or becomes generally available to the public by the act of one who has the right to disclose such information without violating any right or privilege of the Company. However, although certain information may be generally known in the relevant industry, the fact that the Company uses such information may not be so known and in such instance the information would compromise Confidential Information. This definition shall not limit any definition of "confidential information" or any equivalent term under applicable state or federal law.

iii. "Protected Customers" means customers or actively sought potential customers (A) who Executive dealt with on behalf of the Company; (B) whose dealings with the Company are or were coordinated or supervised by Executive; or (C) about whom Executive obtained Confidential Information as a result of his employment with the Company.

iv. "Protected Employee" means an employee of the Company who is employed by the Company at the time of any solicitation or attempted solicitation by Executive.

v. "Restricted Competitors" means the companies and/or organizations listed on Attachment 2 to this Agreement, and incorporated herein by reference.

vi. "Restricted Period" means during Executive's employment with UPS and for a period of two (2) years thereafter.

vii. "Trade Secret" means all of the Company's information that Executive learned about as a result of his employment, without regard to form, including, but not limited to, technical or nontechnical data, a formula, a pattern, a compilation, a program, a device, a method, a technique, a drawing, a process, financial data, financial plans, product plans, distribution lists or a list of actual or potential customers, advertisers or suppliers, that (A) derives economic value, actual or potential, from not being generally known to the public or to other persons who can obtain economic value from its disclosure or use; and (B) is the subject of efforts that are reasonable under the circumstances to maintain its secrecy. This definition shall not limit any definition of "trade secrets" or any equivalent term under applicable law.

c. Non-Disclosure and Prohibition Against Use of Confidential Information and Trade Secrets. Executive agrees that he will not, directly or indirectly, reveal, divulge, or disclose any Confidential Information or Trade Secrets to any Person not expressly authorized by the Company to receive such information. Executive further agrees that he will not, directly or indirectly, use or make use of any Confidential Information or Trade Secrets in connection with any business activity other than business activity that Executive is pursuing on behalf of the Company. Executive acknowledges and agrees that this Agreement is not intended to, and does not, alter either the Company's rights or Executive's obligations under any state or federal statutory or common law regarding trade secrets and unfair trade practices. Executive also understands that nothing contained in this Agreement limits Executive's ability to communicate with any federal, state or local governmental agency or commission ("Government Agencies") or otherwise participate in any investigation or proceeding that may be conducted by any Government Agencies in connection with any charge or complaint, whether filed by Executive, on his behalf, or by any other individual. Executive additionally understands and agrees that if he makes a confidential disclosure of a Company Trade Secret (as defined in 18 U.S.C. §1839) to a government official or an attorney for the sole purpose of reporting or investigating a suspected violation of law, or in a court filing under seal, Executive shall not be held liable under this Agreement or under any federal or state trade secret law for such a disclosure.

d. Non-Solicitation of Protected Employees. During the Restricted Period, Executive will not, without the prior written consent of the Company, directly or indirectly, solicit or induce or attempt to solicit or induce any Protected Employee to terminate his/her employment relationship with the Company or to enter into employment with Executive or any other person or entity.

e. Non-Solicitation of Protected Customers. During the Restricted Period, Executive will not, without the prior written consent of the Company, directly or indirectly, solicit, divert, take away or attempt to solicit, divert or take away a Protected Customer for purposes of providing products and services that are competitive with those provided by the Company.

f. Covenant Not to Compete. During the Restricted Period, Executive will not, without the prior written consent of the Company, (i) work for a Restricted Competitor; (ii) provide advice or consulting services to a Restricted Competitor; or (iii) otherwise provide services to a Restricted Competitor that are similar to those services that Executive provided to the Company and that are competitive with the transportation, delivery or logistics services provided by the Company during Executive's employment. Executive understands and agrees that this non-compete provision is limited to the geographic area where the Company did business during Executive's employment.

g. Non-Disparagement. The Company will not make any statements that are derogatory or disparaging towards Executive and, except as otherwise provided in Section 6 below, Executive will not make any statements that are derogatory or disparaging towards any of the Company, its affiliates and related entities, and each of their respective current and former officers, directors, shareholders, managers, members, partners, employees, agents, employee benefit plans and fiduciaries, insurers, attorneys, agents, trustees, professional employer organizations, successors and assigns (each a "Non-Disparagement Party" and collectively, the "Non-Disparagement Parties"). For the purposes of this Agreement, the term "disparage" includes, without limitation, comments or statements made in any manner or medium (including, without limitation, to the press and/or media, the Non-Disparagement Parties or any individual or entity) which would adversely affect in any manner (i) the conduct of the business of any of the Non-Disparagement Parties (including, without limitation, any Non-Disparagement Party's business plans or prospects) or (ii) the business reputation of any Non-Disparagement Party.

h. Enforcement of Protective Covenants. Executive acknowledges and agrees that the covenants in Sections 5.c through 5.g (the "Protective Covenants") are necessary to protect the Company's legitimate business interests. In the event that Executive breaches, or threatens to breach, the Protective Covenants, Executive agrees that the Company shall have the right and remedy to: (i) enjoin Executive, preliminarily and permanently (without the necessity of posting bond), from violating or threatening to violate the Protective Covenants because any breach or threatened breach of the Protective Covenants would cause irreparable injury to the Company and that money damages would not provide an adequate remedy; (ii) require Executive to account for and pay over to the Company all compensation, profits, monies, or other benefits derived or received by Executive as the result of any breach of the Protective Covenants; and (iii) require Executive to pay the reasonable attorneys' fees and costs incurred by the Company in enforcing the Protective Covenants. In addition to and not in lieu of any other remedy to which the Company may be entitled, no further payments or benefits of any kind that would otherwise inure to Executive pursuant to Section 3.c of this Agreement shall accrue or be owed, and all future payments and benefits thereunder shall be forfeited, immediately upon Executive's breach of any of the covenants in this Section 5.

i. Severability/Reformation. Executive acknowledges and agrees that the Protective Covenants are reasonable in time, scope and all other respects and that they will be considered and construed as separate and independent covenants. Should any part or provision of any of the Protective Covenants be held invalid, void or unenforceable in any court of competent jurisdiction, Executive understands and agrees that such invalidity, voidness or unenforceability does not invalidate, void or otherwise render unenforceable any other part or provision of this Agreement. Executive further agrees that, in the event any court of competent jurisdiction finds any of the Protective Covenants to be invalid or unenforceable (in whole or in part), the invalid or unenforceable term must be modified or redefined, or a new enforceable term provided, so that the Protective Covenants are enforceable to the fullest extent permitted by law.

j. Tolling During Litigation. Executive understands and agrees that if Executive violates any of the Protective Covenants, the period of restriction applicable to each obligation violated will not run during any litigation over such violation, provided that such litigation was initiated during the period of the restriction.

k. Waiver. Executive acknowledges that any waiver by the Company of any breach of this Agreement by Executive shall not be effective unless confirmed in writing, and that no such waiver shall operate or be construed as a waiver of the same breach or another breach on a subsequent occasion.

l. Disclosure of Agreement. Executive agrees to disclose the existence and terms of this Agreement to any prospective employer, partner, co-venturer, investor or lender prior to entering into an employment, partnership or other business relationship with such prospective employer, partner, co-venturer, investor or lender.

6. Permitted Disclosures. Nothing contained in this Agreement limits Executive's ability to file a charge or complaint with the Equal Employment Opportunity Commission or any other federal, state or local governmental agency or commission (collectively, "Government Agencies"), or prevents Executive from providing truthful testimony in response to a lawfully issued subpoena or court order. Further, this Agreement does not limit Executive's ability to communicate with any Government Agencies or otherwise participate in any investigation or proceeding that may be conducted by any Government Agency, including providing documents or other information, without notice to the Company, and for purposes of clarity Executive is not prohibited from providing information voluntarily to the Securities and Exchange Commission pursuant to Section 21F of the Securities Exchange Act of 1934, as amended. Executive is hereby notified that under the Defend Trade Secrets Act: (a) no individual will be held criminally or civilly liable under federal or state trade secret law for disclosure of a trade secret (as defined in the Economic Espionage Act) that is: (i) made in confidence to a federal, state, or local government official, either directly or indirectly, or to an attorney, and made solely for the purpose of reporting or investigating a suspected violation of law; or (ii) made in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal so that it is not made public; and (b) an individual who pursues a lawsuit for retaliation by an employer for reporting a suspected violation of the law may disclose the trade secret to the attorney of the individual and use the trade secret information in the court proceeding, if the individual files any document containing the trade secret under seal, and does not disclose the trade secret, except as permitted by court order. The Company nonetheless asserts and does not waive its attorney-client privilege over any information appropriately protected by privilege.

7. Return of Materials. Immediately following the termination of Executive's employment or upon request from the Company at any other time, Executive agrees to return all materials, documents, and/or information in Executive's possession or control relating to the Company without retaining any copies in either electronic or hard copy form. Executive also agrees that following his termination, or upon request from the Company, he will return all in reasonable working order materials, documents, and/or information that he received or created in connection with his work for the Company and its affiliates, including but not limited to Confidential Information and Trade Secrets. Such documents, materials and information shall include, without limitation, documents, materials, equipment, keys, credit cards, financial information, correspondence, computer equipment and data, and other documents and things belonging to the Company, including but not limited to Confidential Information and Trade Secrets.

8. No Re-Employment. Executive agrees that he will not seek or accept employment with the Company, including assignment to or on behalf of the Company as an independent contractor or through any third party, and the Company has no obligation to consider Executive for any future employment or assignment.

9. No Admission of Liability. Executive agrees not to assert that this Agreement is an admission of guilt or wrongdoing by the Company or any Non-Disparagement Party, and Executive acknowledges that the Company and the Non-Disparagement Parties deny that they have engaged in wrongdoing of any kind or nature.

10. Taxation and Withholding; 409A Compliance.

a. Executive acknowledges that payments and benefits hereunder may be taxable and that the Company makes no representation or warranty regarding the income tax effects of any payment or benefit provided hereunder. Executive shall be solely responsible for any tax liability with respect to all payments and benefits provided under this Agreement. The Company may withhold from any amounts payable under this Agreement such federal, state or local taxes as shall be required to be withheld pursuant to any applicable law or regulation.

b. If, (i) as of the date hereof, Executive is or was party to an agreement or arrangement with the Company that entitled Executive to compensation or benefits which is considered deferred compensation for purposes of Section 409A (in each case, an "Other Severance Arrangement"), and (ii) the time and form of the payments under this Agreement would result in tax penalties under Section 409A of the Internal Revenue Code ("Section 409A"), then, to the extent necessary to avoid tax penalties under Section 409A, any amounts owed pursuant to this Agreement shall instead be paid (to the extent possible) at the time and in the manner provided for in such Other Severance Arrangement.

c. It is the intention of both Executive and the Company that the benefits and rights to which Executive is entitled pursuant to this Agreement are exempt from or comply with Section 409A, to the extent that the requirements of Section 409A are applicable thereto, and the provisions of this Agreement shall be construed in a manner consistent with that intention. If Executive or the Company believe, at any time, that any such benefit or right that is subject to Section 409A does not so comply, Executive or the Company shall promptly advise the other and shall negotiate reasonably and in good faith to amend the terms of such benefits and rights such that they comply with Section 409A (with the most limited possible economic effect on Executive and the Company).

d. Notwithstanding any provision of this Agreement to the contrary, to the extent any reimbursement or in-kind benefit provided under this Agreement is nonqualified deferred compensation within the meaning of Section 409A: (i) the amount of expenses eligible for reimbursement, or in-kind benefits provided, during a calendar year may not affect the expenses eligible for reimbursement, or in-kind benefits to be provided, in any other taxable year; (ii) the reimbursement of an eligible expense must be made on or before the last day of the calendar year following the calendar year in which the expense was incurred; and (iii) the right to reimbursement or in-kind benefits is not subject to liquidation or exchange for another benefit.

e. Notwithstanding anything herein to the contrary, if, as of the date of Executive's separation from service (i) Executive is a "specified employee" as determined under Section 409A, then any portion of the compensation provided for herein that is subject to and not exempt from Section 409A and that would otherwise be payable within the first six (6) months following such separation from service shall be delayed until the first regular payroll date of the Company following the six (6) month anniversary of Executive's separation from service to the extent required for compliance with Section 409A.

11. Severability. In the event any portion or clause of this Agreement is deemed invalid or unenforceable in a court of law, the remainder of the Agreement shall be severed from the invalid or unenforceable portion.

12. Entire Agreement. Except as otherwise expressly provided in this Agreement, any prior agreement (whether written or oral) between the parties with respect to the subject matter of this Agreement, including the offer letter with Executive dated November 25, 2017 and the UPS Protective Covenant Agreement between the Company and Executive dated as of November 26, 2017, is null and void, as this Agreement expresses the entire agreement of the parties with respect to its subject matter. This Agreement may only be modified in writing signed by both Parties.

13. **Assignment**. This Agreement shall accrue to the benefit of the Company and its successors and assigns, and shall be freely assignable to any entity with which the Company may merge or otherwise combine, or to which the Company may transfer substantial assets. This Agreement is personal to Executive and may not be assigned by Executive.

14. **Governing Law**. This Agreement shall be construed in accordance with, and governed by, the laws of the State of Georgia. The Company and Executive agree that the federal or state courts of Georgia have exclusive jurisdiction over any dispute relating to this Agreement and specifically consent to personal jurisdiction in such courts, even if Executive no longer resides in Georgia at the time of any dispute arising out of or involving this Agreement.

15. **Interpretation**. This Agreement shall be construed as a whole according to its fair meaning. It shall not be construed strictly for or against either Party. Unless the context indicates otherwise, the singular or plural number shall be deemed to include the other. Captions are intended solely for convenience of reference and shall not be used in the interpretation of this Agreement.

16. **Counterparts**. This Agreement may be executed in counterparts, including those transmitted by electronic means, each of which shall be deemed an original and all of which taken together shall constitute one and the same document.

17. **Survival of Obligations**. Notwithstanding any provision herein to the contrary, Sections 5, 6, and 7 of this Agreement shall survive any termination of Executive's employment with the Company and continue in full force and effect.

18. **Authorizations**. The Parties hereby represent and warrant that it or he (as applicable) has the power and authority to execute, deliver and perform this Agreement, that this Agreement has been duly authorized by all necessary corporate action on the part of such Party, that this Agreement constitutes a legal, valid and binding obligation of each such Party and that the execution, delivery and performance of this Agreement by such Party does not contravene or conflict with any provision of law or of its charter or bylaws or any material agreement, instrument or order binding on such Party.

[Signature Page Follows]

IN WITNESS WHEREOF, the Parties have executed this Agreement effective as of the Effective Date.

United Parcel Service, Inc.

By:/s/ Norman M. Brothers, Jr.
Name: Norman M. Brothers, Jr.
Title: Chief Legal and Compliance Officer

/s/ Scott Price
Name: Scott Price

[Signature Page to Separation Agreement]

ATTACHMENT 1

GENERAL WAIVER AND RELEASE

This General Waiver and Release (this "Release") is provided by Scott Price ("Executive"), pursuant to the Separation Agreement by and between United Parcel Service, Inc. (the "Company") and Executive dated as of the applicable date referenced therein (the "Separation Agreement"). Capitalized terms used but not defined herein have the meanings assigned to them in the Separation Agreement.

1. Conditions Precedent. Executive acknowledges and agrees that his ongoing compliance with the terms and conditions of the Separation Agreement and this Release is a condition precedent to the Company's obligation to provide the Severance Benefits.

2. Executive Released Claims.

a. For and in consideration of the Severance Benefits, the adequacy of which is hereby acknowledged, Executive hereby fully and completely releases, acquits and forever discharges the Company, its affiliates and related entities, and each of their respective current and former officers, directors, shareholders, managers, members, partners, employees, agents, employee benefit plans and fiduciaries, insurers, attorneys, agents, trustees, professional employer organizations, successors and assigns (each a "Released Party" and collectively, the "Released Parties"), collectively, separately, and severally, of and from any and all claims, demands, damages, causes of action, debts, liabilities, controversies, judgments, and suits of every kind and nature whatsoever, known or unknown, which Executive has had, now has, or may have against the Released Parties (or any of them) from the beginning of time through the date Executive signs this Release, with the exception of any claims that cannot legally be waived by private agreement (the claims released in this Release are collectively referred to as the "Released Claims"). The Released Claims include: (i) all claims arising under any federal, state or local statute or ordinance, constitutional provision, public policy or common law, including all claims under Title VII of the Civil Rights Act of 1964, the Age Discrimination in Employment Act of 1967 (the "ADEA"), the Equal Pay Act, the Civil Rights Act of 1866, the Employee Retirement Income Security Act, COBRA, the Americans with Disabilities Act, the Family and Medical Leave Act, the Worker Adjustment and Retraining Notification Act, the Georgia Equal Pay Act, the Georgia Prohibition of Age Discrimination in Employment Act, and the Georgia Equal Employment for People with Disabilities Code, all as amended; (ii) all claims arising under discrimination laws, whistleblower laws and laws relating to violation of public policy, retaliation, or interference with legal rights; (iii) all claims for compensation of any type whatsoever, including but not limited to claims for wages, bonuses, commissions, incentive compensation, equity, vacation, PTO and severance; (iv) all claims arising under tort, contract and/or quasi-contract law; (v) all claims for monetary or equitable relief, including but not limited to attorneys' fees, back pay, front pay, reinstatement, experts' fees, medical fees or expenses, costs and disbursements; and (vi) all claims, counterclaims, demands, debts, actions, causes of action, suits, expenses, costs, attorneys' fees, accountants' fees, damages, indemnities, obligations and/or liabilities of any nature whatsoever, whether known or unknown, in law or in equity, which are related to, or directly or indirectly arise from, the assessment against, or any other application or possible application to, Executive of any penalties or additional tax under Section 409A of the Internal Revenue Code of 1986, as amended, related in any way to the payments and benefits provided pursuant to the Separation Agreement. Executive hereby waives any right to seek or recover any individual relief (including any money damages, reinstatement, or other relief) in connection with any of the Released Claims through any charge, complaint, lawsuit, or other proceeding, whether commenced or maintained by Executive or by any other person or entity, with the exception of any right to seek an award for information provided to a government agency pursuant to Section 21F of the Securities Exchange Act of 1934 or other whistleblower statute.

b. Release of ADEA Claims. The Released Claims include any claims Executive may have against any of the Released Parties under the ADEA. Executive has twenty one (21) calendar days to consider this Release and decide whether to sign it (the "Consideration Period"). If Executive decides to sign this Release before the expiration of the Consideration Period, which is solely Executive's choice, Executive represents that his decision is knowing and voluntary. Executive agrees that any revisions made to this Release after it was initially delivered to Executive, whether material or immaterial, do not restart the Consideration Period. The Company advises Executive to consult with an attorney prior to signing this Release.

c. Right to Revoke. Executive may revoke this Release within seven (7) calendar days after Executive has signed it. This Release will not become effective or enforceable until the eighth (8th) calendar day after Executive has signed this Release without having revoked it (the "Effective Date"). If Executive chooses to revoke this Release, Executive must notify the Company in writing addressed to the Company's designated agent for this purpose:

Norman M. Brothers Jr.
Chief Legal and Compliance Officer
UPS
55 Glenlake Parkway NE
Atlanta, Georgia 30328

Any such notice of revocation must be delivered to the Company at the foregoing address in a manner calculated to ensure receipt prior to 11:59 p.m. on the day prior to the Effective Date. If Executive revokes this Release, Executive will not be entitled to the Severance Benefits.

d. Unknown Claims. Executive understands that the Released Claims may be known or unknown to him at the time of his execution of this Release. It is Executive's knowing and voluntary intent, even though he recognizes that someday he might learn that some or all of the facts he currently believes to be true are untrue and even though he might then regret having signed this Release. Nevertheless, Executive is assuming that risk and Executive agrees that this Release shall remain effective in all respects in any such case. Executive expressly waives all rights he might have under any law that is intended to protect Executive from waiving unknown claims. Executive understands the significance of doing so.

3. Covenant Not to Sue. Except as otherwise provided in Section 7 below, Executive promises that he will not file, instigate or participate in any proceeding against any of the Released Parties relating to any of the Released Claims. In the event Executive breaches the covenant contained in this Section 3, Executive agrees to indemnify the Released Parties for all damages and expenses, including attorneys' fees, incurred by any Released Parties in defending, participating in or investigating any matter or proceeding covered by this Section 3.

4. Excluded Claims. The Released Claims do not release or impair (a) the Company's promises and obligations under the Separation Agreement; (b) any rights under any grants of stock options, restricted stock, or other forms of equity that may have been provided to Executive during his employment (such grants to be governed by the applicable incentive plan and grant agreement(s) and the Separation Agreement); (c) any rights under applicable workers compensation laws; (d) any vested rights under a qualified retirement plan; (e) any other claims that cannot lawfully be released; (f) his ability to respond truthfully to a valid subpoena issued by, file a charge with, or participate in any investigation conducted by, a governmental agency;

(g) any claims arising after the date of his execution of this Release; (h) any rights to insurance benefits under any Directors & Officers liability insurance policy maintained by the Company; or (i) any right that the Executive may have to indemnification or insurance coverage under the Separation Agreement, the Company's organizational documents, or any directors and officers insurance policy.

5. **Continuing Effectiveness of Separation Agreement**. Executive acknowledges and agrees that the Separation Agreement, and specifically Sections 4, 5, and 6 of the Separation Agreement, shall survive and continue in full force and effect following the date of termination of Executive's employment pursuant to its terms.

6. **Enforcement**. Executive acknowledges that any breach of any covenants set forth in this Release or Sections 4, 5, or 6 of the Separation Agreement would cause irreparable harm to the Company, the exact amount of which would be difficult to determine, and that the remedies at law for any such breach would be inadequate. Accordingly, Executive agrees that if he breaches or threatens to breach any of such covenants, the Company will be entitled to (a) cease or withhold payment to Executive of the Severance Benefits and (b) obtain specific performance and injunctive and other equitable relief, without posting bond or other security, to enforce or prevent any further violation of such covenants. In any action for injunctive relief, the prevailing party will be entitled to collect reasonable attorneys' fees and other reasonable costs from the non-prevailing party.

7. **Permitted Disclosures**. Nothing contained in this Release limits Executive's ability to file a charge or complaint with the Equal Employment Opportunity Commission or any other federal, state or local governmental agency or commission (collectively, "Government Agencies"), or prevents Executive from providing truthful testimony in response to a lawfully issued subpoena or court order. Further, this Release does not limit Executive's ability to communicate with any Government Agencies or otherwise participate in any investigation or proceeding that may be conducted by any Government Agency, including providing documents or other information, without notice to the Company, and for purposes of clarity Executive is not prohibited from providing information voluntarily to the Securities and Exchange Commission pursuant to Section 21F of the Securities Exchange Act of 1934, as amended. Executive is hereby notified that under the Defend Trade Secrets Act: (a) no individual will be held criminally or civilly liable under federal or state trade secret law for disclosure of a trade secret (as defined in the Economic Espionage Act) that is: (i) made in confidence to a federal, state, or local government official, either directly or indirectly, or to an attorney, and made solely for the purpose of reporting or investigating a suspected violation of law; or (ii) made in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal so that it is not made public; and (b) an individual who pursues a lawsuit for retaliation by an employer for reporting a suspected violation of the law may disclose the trade secret to the attorney of the individual and use the trade secret information in the court proceeding, if the individual files any document containing the trade secret under seal, and does not disclose the trade secret, except as permitted by court order. The Company nonetheless asserts and does not waive its attorney-client privilege over any information appropriately protected by privilege.

8. **Executive's Representations**. Executive represents and warrants that (a) he has been properly paid for all hours worked and he has received all wages, bonuses, vacation pay, expense reimbursements and any other sums due from the Company; (b) he has returned all of the Company's property in his possession or control and he has permanently deleted any Confidential Information and Trade Secrets stored on any networks, computers or information storage devices that are not owned by the Company but within his possession or control; (c) he has suffered no harassment, retaliation, employment discrimination, or work-related injury or illness while employed by the Company; (d) he is not aware of any activity by the Company or any other Released Party that he believes to be unlawful or potentially unlawful; (e) he has filed no claim, charge, suit or other action or proceeding against the Company or any other Released Party; and (f) he has not sold, assigned, transferred, conveyed or otherwise disposed of any of the claims, demands, obligations, or causes of action released in this Release. By signing this Release Executive acknowledges that Executive has read this Release carefully and understands all of its terms. Further, Executive acknowledges that Executive is entering into this Release voluntarily and of his own free will. In signing this Release, Executive acknowledges that Executive has not relied on any statements or explanations made by anyone associated with or employed by the Company.

9. **Further Pursuit of Claims Under Company EDR Program**. Executive understands that by signing this Release he is waiving any rights pursuant to the Company's Employee Dispute Resolution Program ("EDR") to challenge or seek reconsideration of any employment action or to seek reconsideration of the terms of this Release.

10. **General Provisions**. The Released Parties expressly deny that they have any liability to the Executive, and this Release is not to be construed as an admission of any such liability. This Release is to be construed under the laws of the State of Georgia. This Release constitutes the entire agreement between the Executive and the Company with respect to the issues addressed in this Release. Both parties represent that they are not relying on any other agreements or oral representations not fully expressed in this Release. This Release may not be modified except in writing signed by the Executive and an authorized Company representative. The headings in this Release are for reference only, and do not in any way affect the meaning or interpretation of this Release. As used herein, the phrase "including" means "including, but not limited to" in each instance. "Or" is used in the inclusive sense of "and/or." As used herein, the plural includes the singular, and the singular includes the plural: Use of the plural, or the singular, as the case may be, throughout this Release shall be construed to give this Release a broader meaning and scope, rather than a narrower one. Should any part of this Release be found to be void or unenforceable by a court of competent jurisdiction or Government Agency, such determination will not affect the remainder of this Release. A facsimile or scanned (e.g., .PDF, .GIF, etc.) signature shall be deemed to be an original.

If Executive wishes to accept the Company's offer to provide the Severance Benefits, please sign, date and return a copy of this Release to the Company within twenty one (21) days after the Separation Date. Executive is not to sign this Release prior to the Separation Date. If not accepted, the Company's offer to enter into this Release and provide the Severance Benefits will expire at the close of business on the date that is twenty one (21) days after the Separation Date.

[Signature Page Follows]

AGREED AND ACCEPTED BY:

Signature: /s/ Scott Price

Print Name: Scott Price

Dated: March 1, 2022

Exhibit 31.1

CERTIFICATE OF PRINCIPAL EXECUTIVE OFFICER

I, Carol B. Tomé, certify that:

1. I have reviewed this quarterly report on Form 10-Q of United Parcel Service, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ CAROL B. TOMÉ

Carol B. Tomé
Chief Executive Officer
(Principal Executive Officer)

May 4, 2022

Exhibit 31.2

CERTIFICATE OF PRINCIPAL FINANCIAL AND ACCOUNTING OFFICER

I, Brian O. Newman, certify that:

1. I have reviewed this quarterly report on Form 10-Q of United Parcel Service, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ BRIAN O. NEWMAN

Brian O. Newman
Executive Vice President and Chief Financial Officer
(Principal Financial and Accounting Officer)

May 4, 2022

Exhibit 32.1

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906 OF THE
SARBANES-OXLEY ACT OF 2002**

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and in connection with the Quarterly Report on Form 10-Q of United Parcel Service, Inc. (the “Corporation”) for the period ended March 31, 2022, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), the undersigned, the Chief Executive Officer of the Corporation, certifies that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Corporation.

/s/ CAROL B. TOMÉ

Carol B. Tomé
Chief Executive Officer
(Principal Executive Officer)

May 4, 2022

Exhibit 32.2

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906 OF THE
SARBANES-OXLEY ACT OF 2002**

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and in connection with the Quarterly Report on Form 10-Q of United Parcel Service, Inc. (the "Corporation") for the period ended March 31, 2022, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned, the Executive Vice President and Chief Financial Officer of the Corporation, certifies that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Corporation.

/s/ BRIAN O. NEWMAN

Brian O. Newman
Executive Vice President and Chief Financial Officer
(Principal Financial and Accounting Officer)

May 4, 2022