

**UNITED PARCEL SERVICE, INC.
CORPORATE GOVERNANCE GUIDELINES**

Effective November 3, 2016

The Company's shareowners elect the Board of Directors. The Board establishes policy for the Company and provides oversight of the Company's management.

Board Structure

The Company's Bylaws provide that the number of directors shall be not less than seven nor more than sixteen. The Board's membership includes a majority of independent directors.

Definition of Independent Director

An independent director is a director who meets the New York Stock Exchange definition of independence, as determined by the Board. The Board has adopted the standards set forth on Attachment A to these Guidelines to assist in assessing director independence. The Board determines at least annually whether each director is independent.

Board Committees

The Board currently has five committees: Audit; Compensation; Executive; Nominating and Corporate Governance; and Risk. Committee membership, including the number and identity of directors comprising a committee and the director designated as committee chair, is determined by the full Board, acting with the recommendation of the Nominating and Corporate Governance Committee. The membership of the committees and committee chair service are rotated on a periodic basis. From time to time, the Board may provide for other standing or special committees as are necessary to carry out its responsibilities.

Annual Election of Directors

Each director is elected by the shareowners annually for a one year term.

Majority Voting and Director Resignation Policy

The Company's Bylaws require majority voting in uncontested director elections. As a result, directors are elected by a majority of the votes cast, which means that the number of shares voted "for" a director must exceed the number of shares voted "against" that director. The Nominating and Corporate Governance Committee has established procedures for any director who is not elected to tender his or her offer to resign. Upon receiving the director's offer to resign, the Nominating and Corporate Governance Committee will recommend to the Board whether to accept or reject the offer to resign, or whether other action should be taken. In determining whether or not to recommend that the Board accept any resignation offer, the Nominating and Corporate Governance Committee may consider all factors believed relevant by the Committee's members. If a majority of the members of the Nominating and Corporate Governance Committee were required to tender their offers of resignation as provided above, the independent directors on the Board who were not required to tender their offers of resignation will act as a committee to consider the offers and recommend to the Board whether or not to accept them.

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

Shareowner Advisory Vote on Executive Compensation (Say-on-Pay)

It is the Board's policy that, beginning with the Company's 2011 annual meeting of shareowners, every three years the Company will submit to a vote at a shareowners meeting an advisory (non-binding) resolution on the compensation of the Company's named executive officers, as described in the Compensation Discussion and Analysis section and in the compensation tables and accompanying narrative disclosure set forth in the proxy statement for such meeting. The Compensation Committee will provide that the Company complies with the requirement to submit for a shareowner advisory vote the frequency of future advisory votes on executive compensation.

Board and Chief Executive Officer Evaluations

The Board annually evaluates its own performance and that of the Company's Chief Executive Officer. Board evaluations are administered by the Nominating and Corporate Governance Committee; the Chief Executive Officer evaluation is administered by the Compensation Committee.

Board Interaction with Institutional Investors, the Media and Customers

As a general matter, management should speak for the Company. Under some circumstances, Board members may interact with the Company's various constituencies in compliance with the Company's Disclosure Policy.

Board Compensation

A meaningful portion of each non-employee director's compensation is provided in Company stock, stock options or other forms of equity

Management reports from time to time to the Compensation Committee on the status of Board compensation in relation to other leading U.S. corporations.

The Board has delegated to the Compensation Committee the responsibility to recommend changes, if any, to non-employee directors' compensation. Any such recommended changes are discussed and approved by the full Board. Board compensation is administered in a way so as not to compromise directors' independence.

Stock Ownership Guidelines

To align the interests of management and directors with those of the Company's shareowners, the Board has adopted stock ownership guidelines that extend to most levels of management and to members of the Board. The guidelines are based on the Company's expectation that each executive officer and director will maintain a targeted level of investment in the Company's stock. Target ownership for the Chief Executive Officer is eight times annual salary, and for the other executive officers is five times annual salary. The target for non-employee directors is five times their annual retainer. Shares of Class A common stock, deferred units and vested and unvested Restricted Stock Units (RSUs) and Restricted Performance Units (RPU) are considered as owned for purposes of calculating ownership. Executive officers and directors are expected to reach target ownership within five years of adoption of the guideline or the date that the executive officer or director became subject to the guideline.

Board Membership Criteria, Committee Appointments and Selection of New Director Candidates

The Board has delegated to the Nominating and Corporate Governance Committee the responsibility for reviewing and recommending nominees for membership on the Board and appointments to Board committees.

The Committee's objective is to maintain a Board of individuals of the highest personal character, integrity and ethical standards, and that reflects a range of professional backgrounds and skills relevant to the Company's business.

The Committee identifies new director candidates through a variety of sources, including independent third parties.

In evaluating each candidate, the Committee considers factors such as personal character, values and disciplines, ethical standards, diversity, other outside commitments, professional background and skills, all in the context of an assessment of the needs of the Board at that point. Each director candidate is expected to provide that other existing and planned future commitments do not materially interfere with his or her responsibilities as a director.

An invitation to join the Board may be extended on behalf of the entire Board by the Chairman and/or by the Chair of the Nominating and Corporate Governance Committee.

Director Orientation

The Board and the Company have established an orientation and education process for directors, including background materials, meetings with senior management and visits to Company facilities.

Board Leadership

The Board, upon recommendation of the Nominating and Corporate Governance Committee, selects the Company's Chairman. The Board is free to select a Chairman in any manner that is best for the Company at a given point. The Board believes that it is in the best interests of the Company for the Board periodically to evaluate and make changes, as appropriate, to the Board's leadership structure.

The Board believes that presently it is in the best interests of the Company for a single person to serve as both the Chairman and Chief Executive Officer. In addition, the independent directors have appointed an

independent director to serve as the lead independent director for a period of at least one year. The lead independent director's responsibilities include: (a) presiding at meetings of the Board at which the Chairman is not present, including executive sessions of the non-management and independent directors; (b) approving information sent to the Board; (c) approving the agenda and schedule for Board meetings to provide that there is sufficient time for discussion of all agenda items; (d) serving as liaison between the Chairman and the non-management and independent directors; and (e) being available for consultation and communication with major shareowners upon request. The lead independent director also has the authority to call executive sessions of the non-management and independent directors.

Former Chief Executive Officers on the Board

The Company's immediate-past Chief Executive Officer may, at the discretion of the Board, continue to serve on the Board of Directors following his or her retirement as Chief Executive Officer.

Retirement

A director should not be eligible for nomination or election as a director of the Company after he or she attains the age of 75.

Changes in Director's Professional Status

A director will promptly notify the Chair of the Nominating and Corporate Governance Committee of his or her retirement or resignation from, or any other significant change in, his or her business or professional roles or responsibilities. This notification requirement applies both to management and non-management directors.

Upon the receipt of such a notification, the Nominating and Corporate Governance Committee will evaluate the appropriateness of the notifying director's continuing membership on the Board and, based upon this evaluation, recommend to the Board whether he or she should continue to serve as a director of the Company.

In addition, directors should obtain the approval of the Chair of the Nominating and Corporate Governance Committee in advance of (i) accepting an invitation to serve on another board of directors, or (ii) significant commitments involving affiliation with other businesses or governmental units.

Board Access to Senior Management and Outside Advisors

Directors have complete and reasonable access to members of the Company's management. Selected senior managers may be invited to attend all or part of each Board meeting. Other managers also may be invited to attend Board meetings as appropriate. The Board has the authority to retain such outside counsel, experts and other advisors as it determines necessary or appropriate to assist it in the performance of its functions.

Board Agendas and Materials

The Chairman and Chief Executive Officer, considering input from members of the Board, establishes the agenda for each Board meeting with the approval of the lead independent director.

Information and data that are important to the Board's understanding of the Company are distributed to the Board before it meets. In some cases, due to timing or the sensitive nature of an issue, materials are

presented only at the Board meeting. Management distributes materials periodically between meetings to update the Board on the Company's interim operations and results.

Succession Planning and Management Development

The Chief Executive Officer, with assistance from the Nominating and Corporate Governance Committee, reports to the full Board periodically on the Company's succession planning and management development efforts. The Chief Executive Officer will also, in consultation with the Nominating and Corporate Governance Committee, recommend to the Board a contingency succession plan in the event of the Chief Executive Officer's unplanned departure, disability or death.

Strategic Planning

The Board reviews the Company's long-term strategic plan at least annually and monitors implementation of the strategic plan throughout the year.

Meetings of Non-Management Directors

The non-management directors hold executive sessions without management present as frequently as they deem appropriate, typically at the time of each regular board meeting. The lead independent director determines the agenda for the session and, after the session, acts as a liaison between the non-management directors and the Chairman and Chief Executive Officer.

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

Director Attendance at Annual Meeting

It is the Board's policy that directors attend the annual meeting of shareowners.

ATTACHMENT A

An "independent" director is a director whom the Board has determined has no material relationship, other than as a director of the Company, with the Company or any of its consolidated subsidiaries, either directly, or as a partner, shareowner or officer of an organization that has a relationship with the Company. In addition, when determining whether a director is independent, the Board applies the categorical standards set forth below.

Under no circumstances is a director independent if:

1. the director is, or has been within the past three years, an employee of the Company, or an immediate family member of the director is, or in the past three years has been, an executive officer of the Company, other than on an interim basis;
2. (A) the director or an immediate family member is a current partner of a firm that is the Company's external auditor; (B) the director is a current employee of such a firm; (C) the director has an immediate family member who is a current employee of such a firm and who personally works on the Company's audit; or (D) the director or an immediate family member was within the last three years (but is no longer) a partner or employee of such a firm and personally worked on the Company's audit within that time;
3. the director, or a member of the director's immediate family, is or in the past three years has been, an executive officer of another company where any of the Company's present executives concurrently serves or served on the compensation committee;
4. the director, or a member of the director's immediate family, has, in any twelve-month period within the past three years, received any direct compensation from the Company in excess of \$120,000, other than compensation for service on the Board or any of its committees, compensation received by the director's immediate family member for service as a non-executive employee of the Company, and pension or other forms of deferred compensation for prior service with the Company; or
5. the director is a current employee, or a member of the director's immediate family is an executive officer, of another company that makes payments to or receives payments from the Company, or during any of the last three fiscal years has made payments to or received payments from the Company, for property or services in an amount that, in any single fiscal year, exceeded the greater of \$1 million or 2% of the other company's consolidated gross revenues. For purposes of this section, a contribution to a tax-exempt entity is not a "payment."

An "immediate family" member includes a director's spouse, parents, children, siblings, mother- and father-in-law, sons- and daughters-in-law, brothers- and sisters-in-law, and anyone (other than a domestic employee) who shares the director's home.