

Keith Cureton

VP Global Compliance & Ethics | ERM

AFERM Summit

November 8, 2016



Conversations[®]

Why A Conversation



Man U to get \$559M for Chevy shirts

NEW YORK -- Manchester United will receive \$559 million under its seven-year shirt sponsorship agreement with General Motors Co.'s Chevrolet division.

Chevrolet takes over from the insurer Aon starting with the 2014-15 season. Manchester United said it will receive \$70 million during the first season of the new deal.

The agreement was signed July 26 and announced Monday. The financial details were disclosed by the soccer team Friday in a filing with the U.S. Securities and Exchange Commission as part of Manchester United's planned initial public offering of stock.

United said the payment will increase 2.1 percent annually during the deal, which runs through the 2020-21 season. In addition, the Red Devils said the agreement calls for them to receive about \$18.6 million in fees in each of the 2012-13 and 2013-14 seasons.

General Motors announced the resignation of its chief marketing officer, Joel Ewanick, on Sunday night. Ewanick had been involved in negotiating the deal.

"Mr. Ewanick failed to meet the expectations the company set for its employees," spokesman Greg Martin said Friday, declining additional comment.

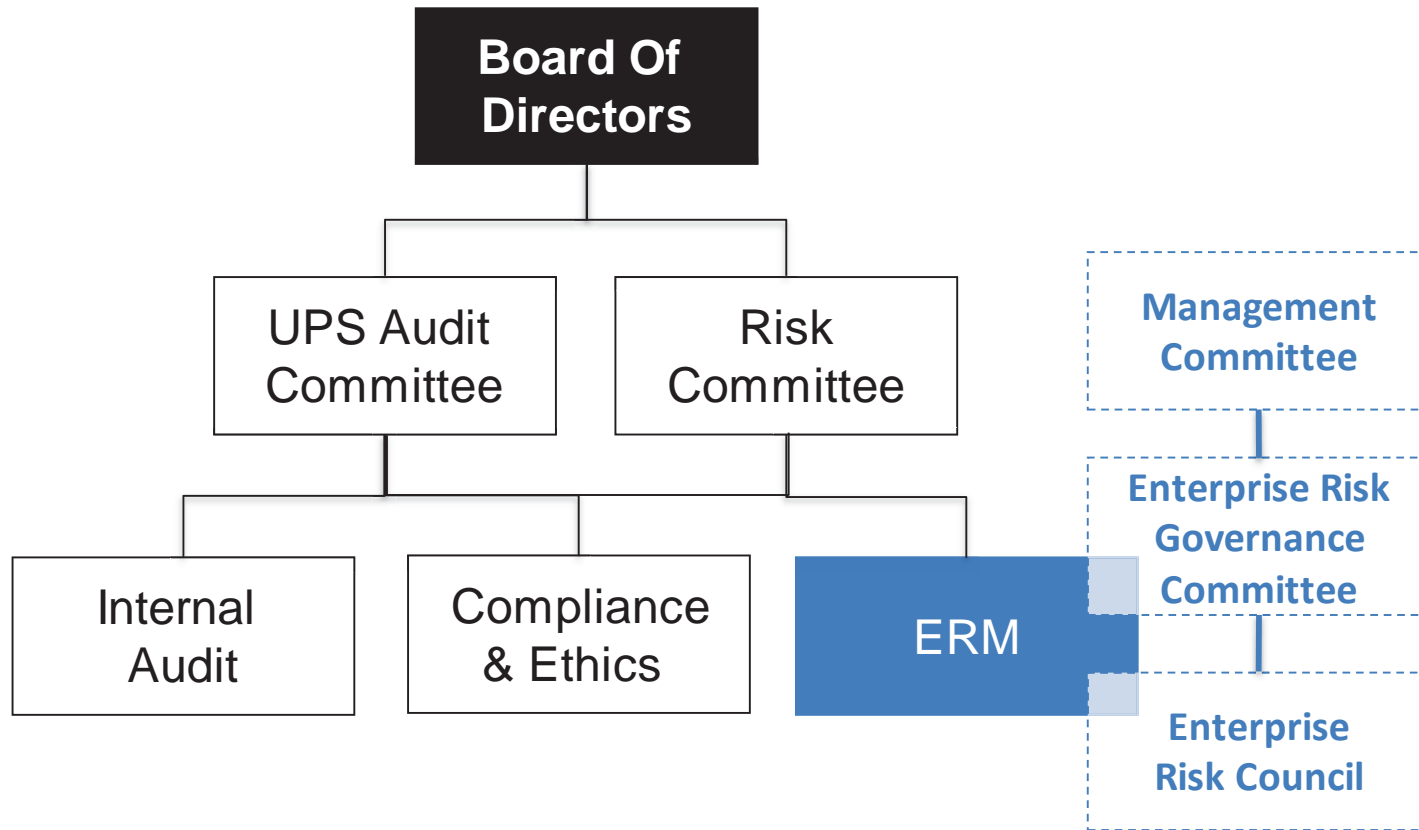
COSO Defines ERM as:

“**Enterprise Risk Management is a process**, effected by an entity’s board of directors, management and other personnel, applied in a strategy setting and across the enterprise. It is **designed to identify potential events** *and talk about them!* **that may affect** the entity, and manage risk to be within its risk appetite, to provide reasonable assurance regarding **the achievement of entity objectives.**”

UPS Around The World



Assurance Structure



Enterprise Risk Council

*Co-Chaired by: Chief Legal Officer
Chief Audit Officer*

- *VP Domestic Operations*
- *VP Engineering*
- *VP Finance & Accounting*
- *VP Human Resources*
- *VP Information Technology*
- *VP International Operations*
- *VP Legal & Public Affairs*
- *Director Program Management Group*
- *VP Public Relations*
- *VP Risk Management*
- *VP Sales / Marketing*
- *VP Security*
- *VP Strategy*



Policy Book

We Establish Risk Management Programs.

We use appropriate processes to identify, manage, and mitigate the inherent risks that affect our business.

Through our centralized Risk Management Department, we maintain the expertise needed to analyze and insure exposures of risk to our company's financial position, reputation, and ability to operate.

Additionally, we use **enterprise risk management** and business continuity programs to safeguard our company against significant risks we cannot completely insure.

UPS PROXY STATEMENT

Governance Of Our Company

that this leadership structure has been effective for the Company. We believe that having a combined Chairman and Chief Executive Officer, a board with a majority of independent directors who meet regularly in executive session, and independent chairs for the board's Audit, Compensation, Nominating and Corporate Governance, provides the best form of leadership for the Company and its shareholders. We have a leader for our company and he it earn by employees, customers, business partners, shareholders and other stakeholders as a strong leadership for the Company, in our and in the communities in which we operate.

and Corporate Secretary reports directly to our Chairman and Chief Executive Officer, providing him with visibility into the Company's risk profile. The head of the Company's compliance and internal audit functions regularly reports to the Audit

Our board is responsible for overseeing our risk management.

Board's Role in Risk Oversight

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

and Corporate Secretary reports directly to our Chairman and Chief Executive Officer, providing him with visibility into the Company's risk profile. The head of the Company's compliance and internal audit functions regularly reports to the Audit

The board reviews periodic assessments from the Company's ongoing **enterprise risk management process** that are designed to identify potential events that may affect the achievement of the Company's objectives.

The Company's Senior Vice President of Compliance and Public Affairs, General Counsel

The Key to Success?

- Having the right conversation?



What to do with an 800 Pound Gorilla?



Risk Mantra

“It is pardonable to be defeated, but never to be surprised.”

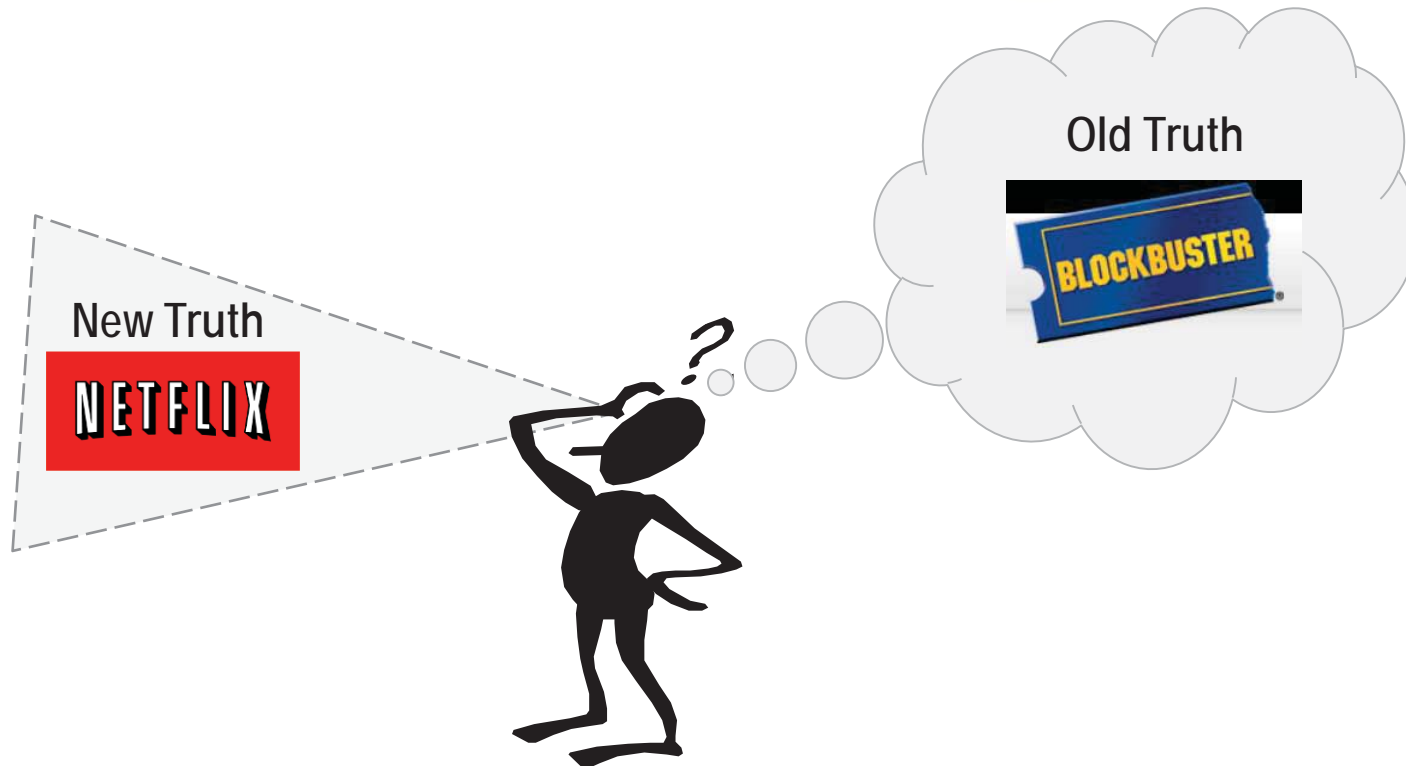


Frederick the Great 1712 -1786

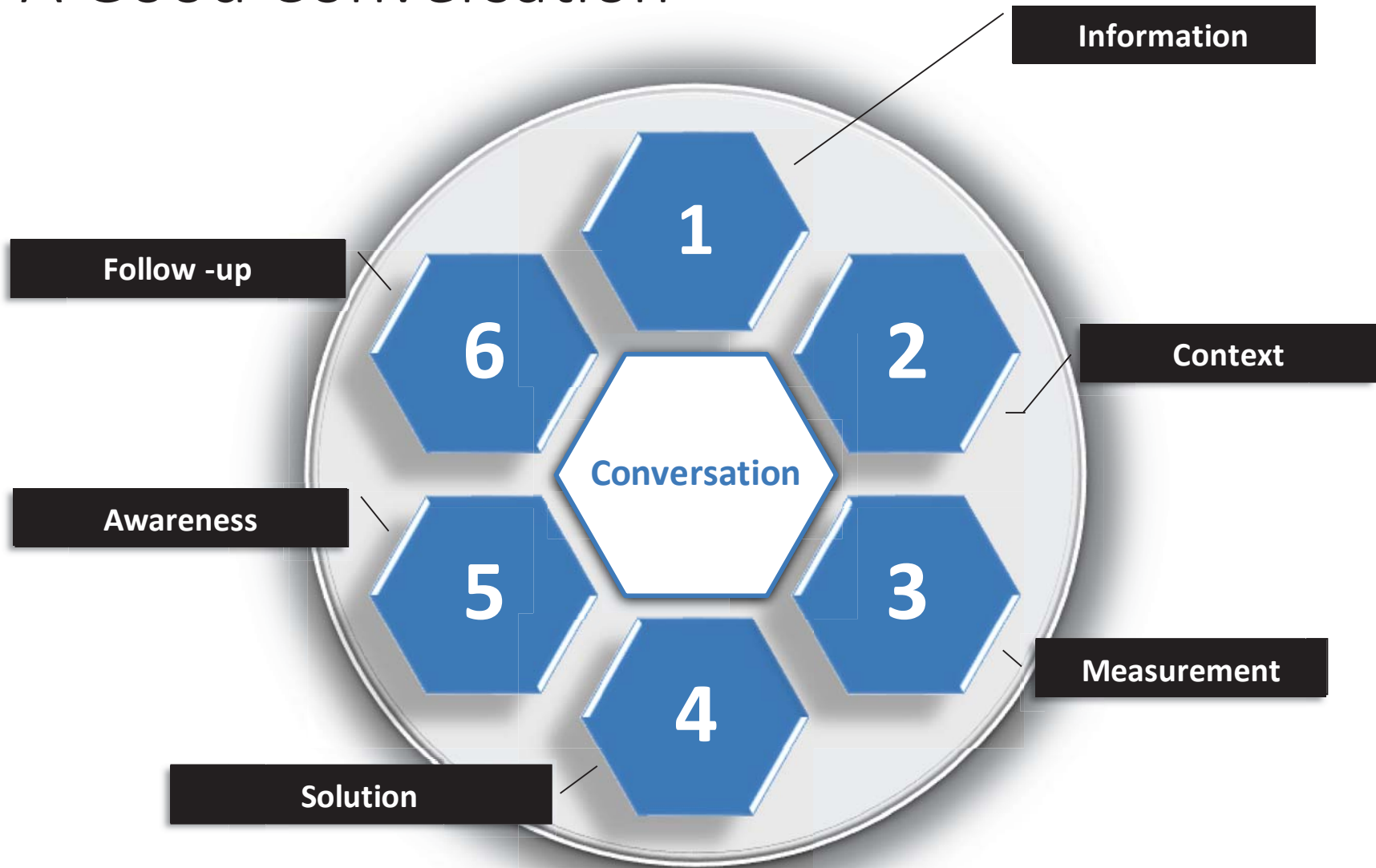
Our Greatest Challenge

Think

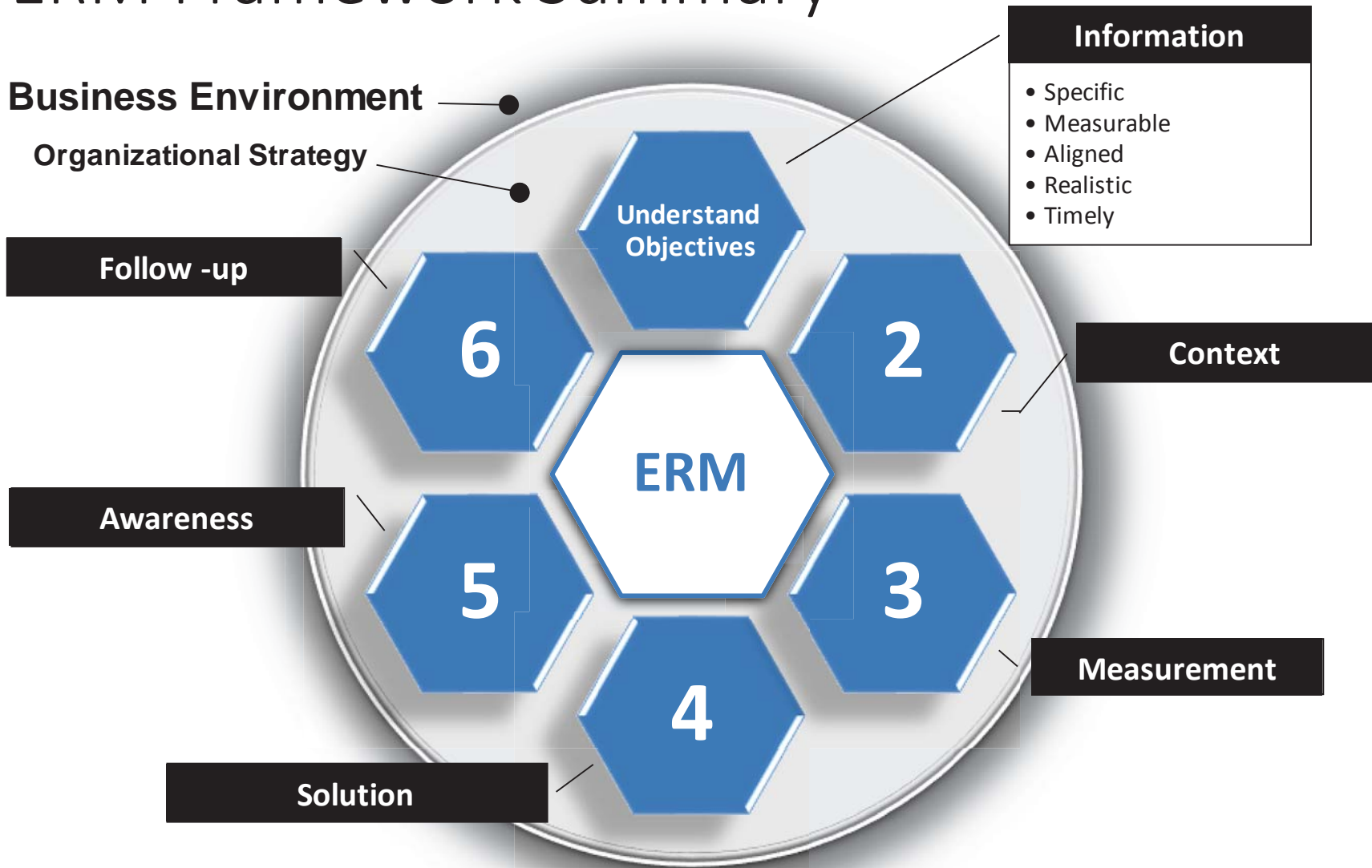
- The problem is with what we know!



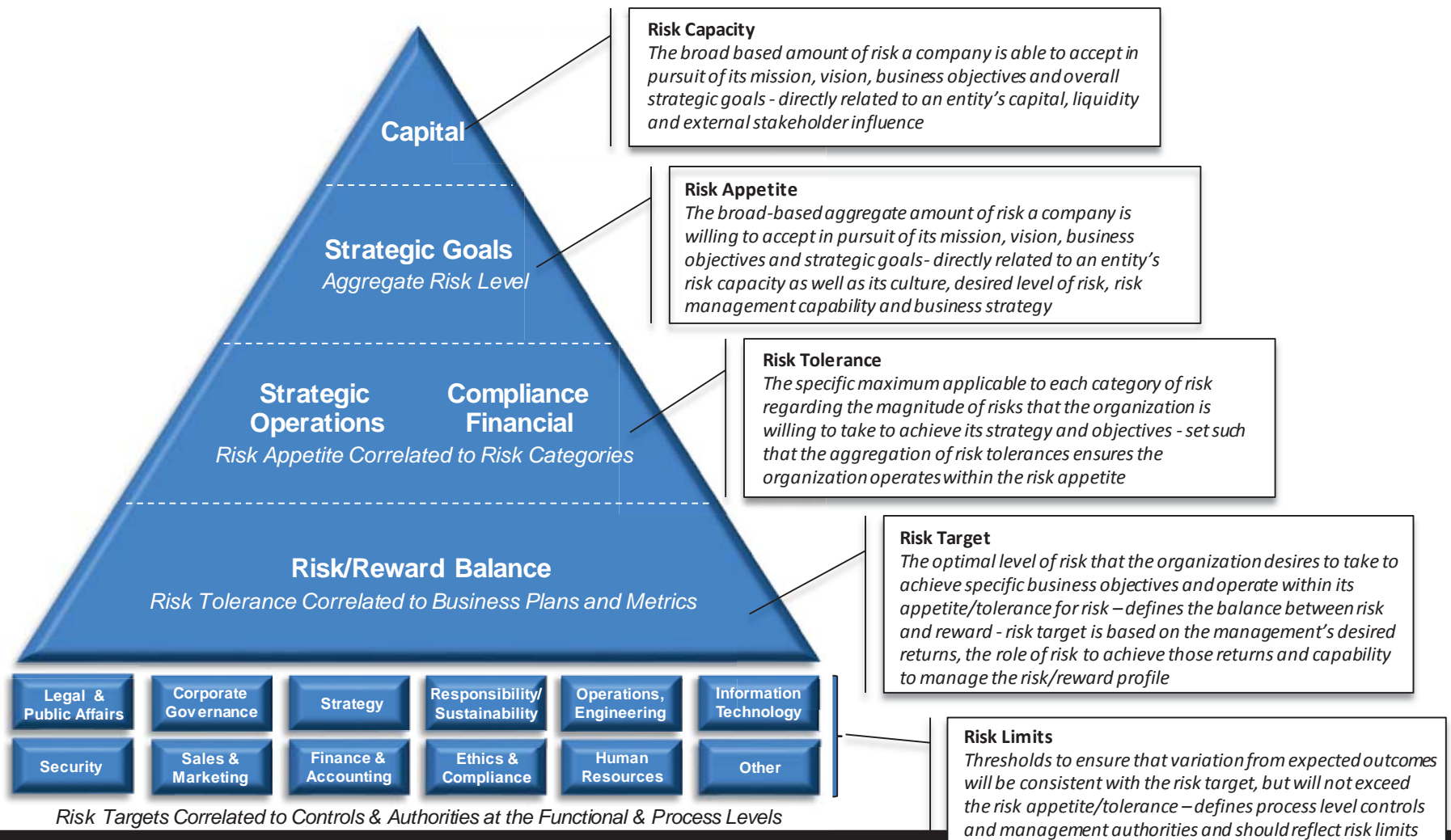
A Good Conversation



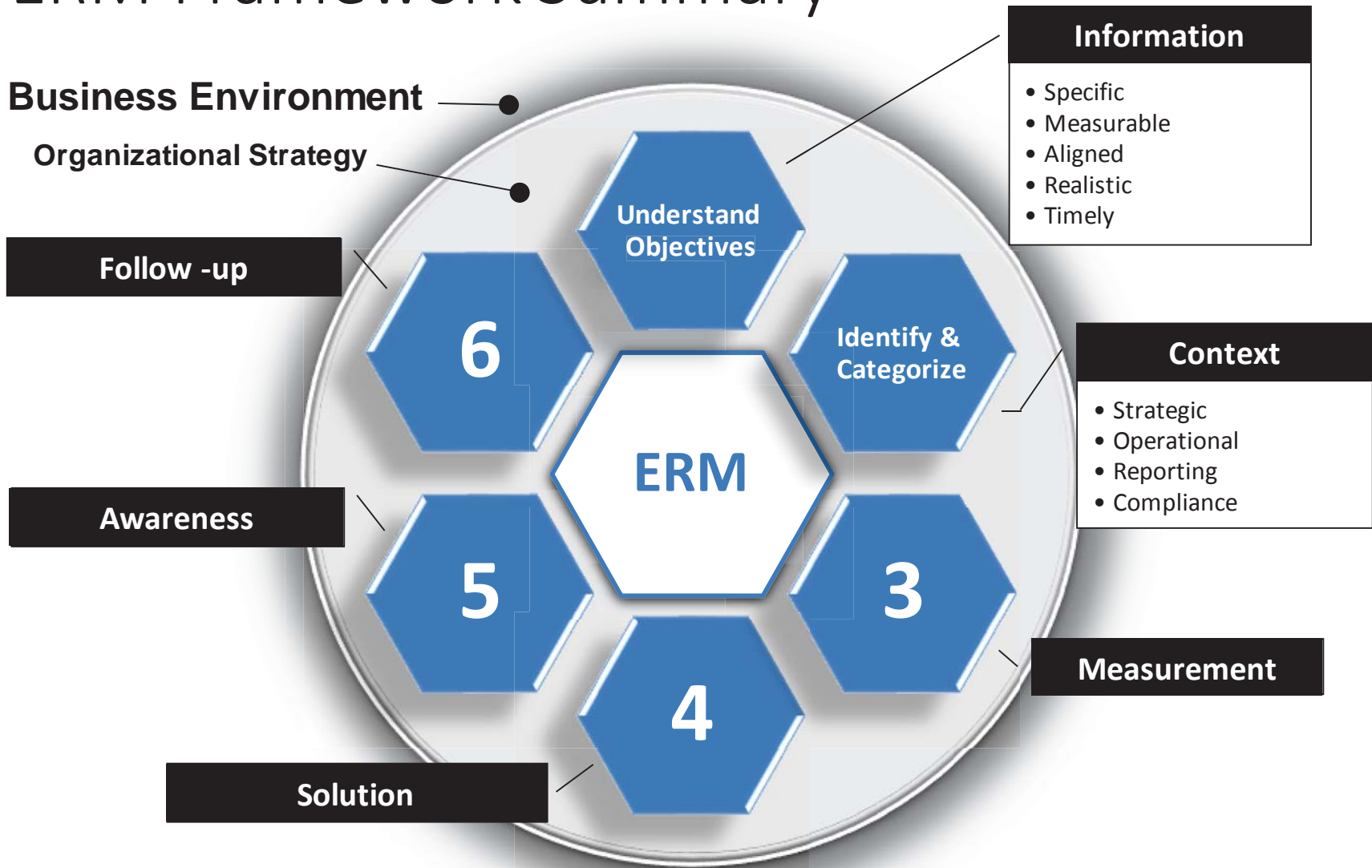
ERM Framework Summary



Defining Risk Appetite & Tolerance



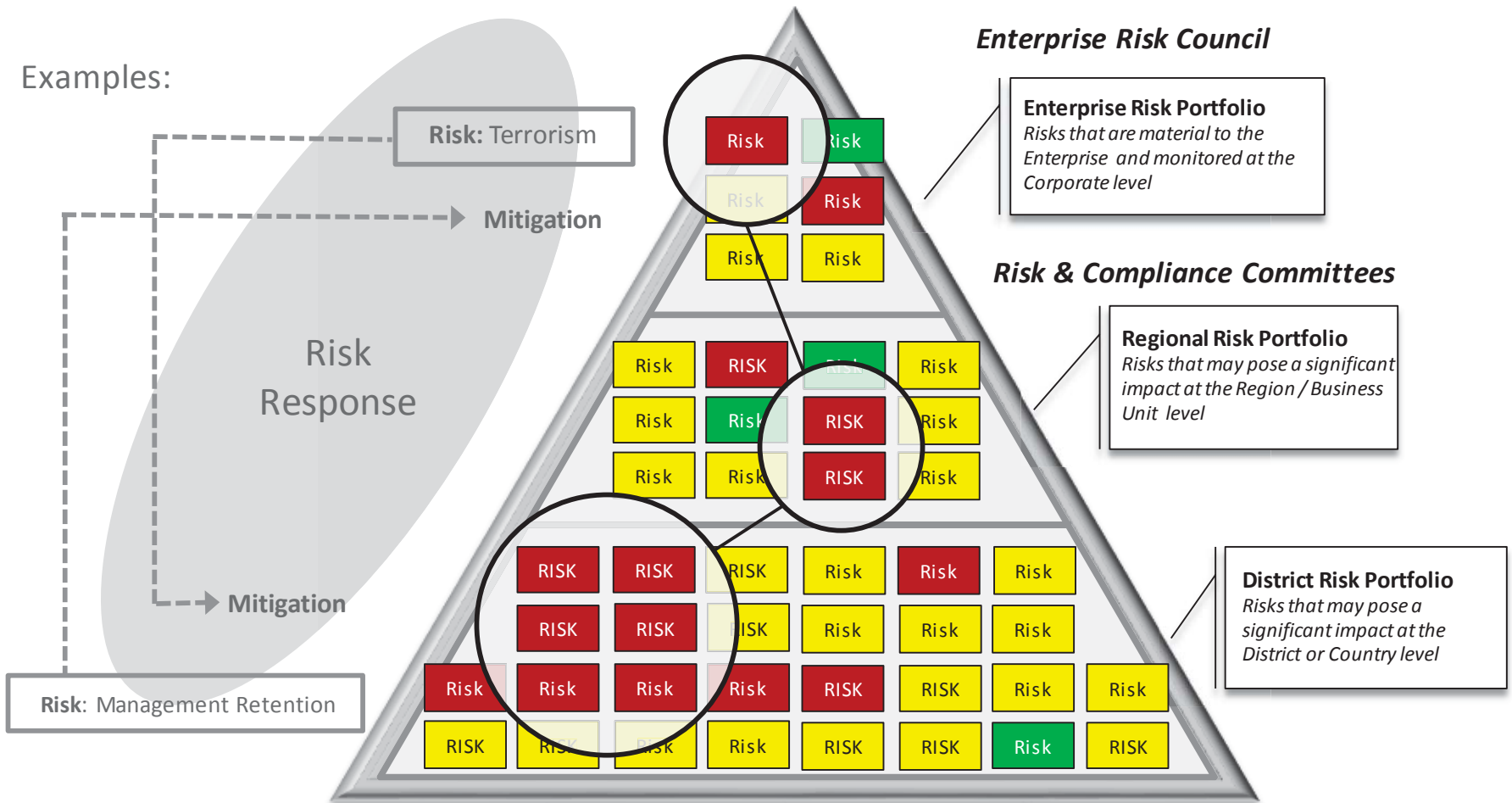
ERM Framework Summary



Which Is it?

- **Enterprise Risk - Management**
- **Enterprise - Risk Management**

Risk Governance



UPS Enterprise Risk and Control Framework

Illustrative

COSO Framework	Compliance	Operations/Infrastructure						Strategic			Reporting
MC Sponsor	C-Suite	C-Suite	C-Suite	C-Suite	C-Suite	C-Suite	C-Suite	C-Suite	C-Suite	C-Suite	C-Suite
UPS Risk Categories	Ethics & Compliance	Human Resources	Information Technology	Legal & Public Affairs	Operations	Sales & Marketing	Security / Sustainability	Corporate Governance	Communications / Brand Management	Strategy	Finance & Accounting
ERC Sponsor	VP	VP	VP	VP	VP	VP	VP	VP	VP	VP	VP
Risk Sub-categories	Addressing Allegations	Company Culture	Architecture	Competition / Antitrust	Acquisition Integration	Competition	Aviation Security	Audit Quality	Advertisements & Sponsorships	Business Concentration	Accounting Processes
	Compliance Communication & Training	Diversity	Global Business Services	Contract Management	Asset Utilization	Customers	Business Continuity (Crisis Mgt.)	Board Effectiveness	Branding & Reputation	Business Model	Business Information & Analysis
	Compliance Monitoring & Reporting	Health & Welfare Benefits	I.T. Change Management	Geopolitical Concerns	Distribution & Warehousing	Customer Relations/ Customer Support	External Fraud	Board Structure & Senior Leadership	Communication (Employee/ Customer)	Growth Strategy	Capital Management
	Compliance Policies & Procedures	HR Resource Policies & Procedures	I.T. Asset Management	Government Investigations	Energy Management	Customer Technology	Operational Security	Risk Oversight & Management	Philanthropy	Industry Trends	Commodity Price Impact
	Compliance Program Assessment	Occupational Health & Safety	I.T. Business Continuity Management	Government Uncertainty	Environmental Concerns	E-Commerce/ Internet Strategy	Sustainability Programs		Public Relations	Mergers/ Acquisitions/ Divestitures	Compliance w/Accounting Standards
	Compliance Structure & Oversight	Retirement & Pension Programs	I.T. Contracting & Outsourcing	Intellectual Property (IP)	Facilities and Equipment	Market Research	Terrorism		Social Concerns	Organization Structure	Credit Rating
	Ethical Culture "Tone at the Top"	Performance & Compensation	I.T. Operations	Labor & Employment Issues	Fleet Management (Ground / Air)	Marketing Programs			Social Media	Scenario Planning	Customer Credit Policy
	Regulatory Compliance	Talent Pipeline/ Recruitment	I.T. Physical & Environmental Security	Laws and Regulations	Operational Planning	Marketing Strategy				Strategy Communication	Economic Conditions
	Records & Information Management	Retention / Succession	I.T. Problem Management	Litigation & Dispute Resolution	Operations Management	Product Development				Technology Strategy	Financial Asset Investment
		Training and Development	I.T. Project Management	Privacy and Security Laws	Operational Reporting	Revenue Management / Pricing				Third Party/ Joint Venture	Financial Statement Fraud
		Union Labor/ Workforce Issues	I.T. Records Management	Public Affairs	Operations Performance Management	Sales Strategy				Vision, Mission, and Values	Insurance and Hedging
			Privacy and Data Protection								Investor Relations
			Technology Licensing								Planning/ Budgeting/ Forecasting
											Procurement
											Taxation

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Top 5 Input Areas - 2015

1. Domestic legislation
- 2.
- 3.
- 4.
- 5.

Top 5 Input Areas - 2016

- 1.
- 2.
- 3.
- 4.
- 5.

Privacy and Data Protection
Technology Licensing

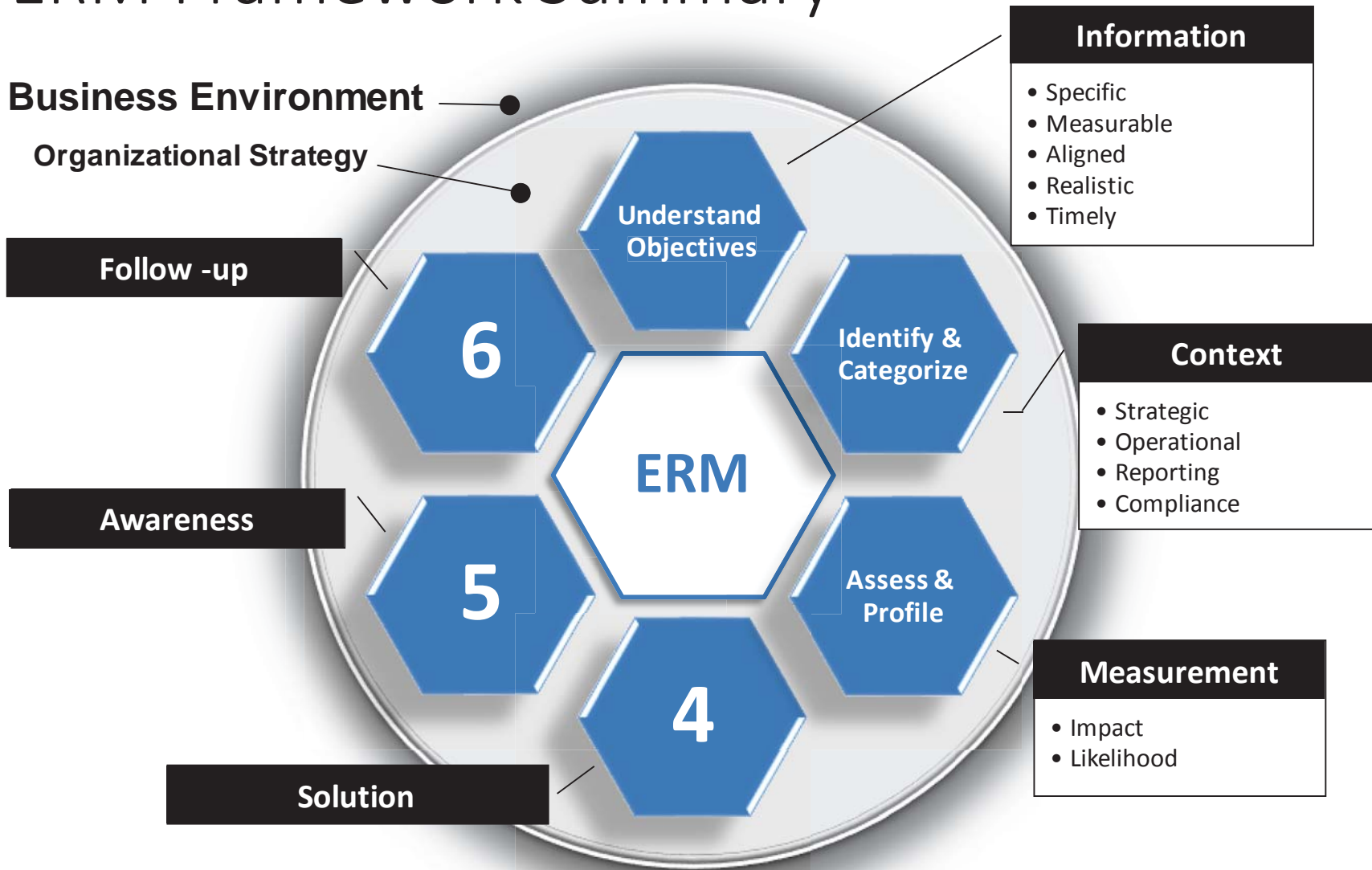
Business Information & Analysis
Capital Management
Commodity Price Impact
Compliance w/Accounting Standards
Credit Rating
Customer Credit Policy
Economic Conditions
Financial Asset Investment
Financial Statement Fraud
Insurance and Hedging
Investor Relations
Planning/ Budgeting/ Forecasting
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Taxation

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	Compliance Communication & Training	Diversity	Global Business Services	Contract Management	Legal & Public Affairs			Risk Owner	SME	Governance	
	Compliance Monitoring & Reporting	Health & Welfare Benefits	I.T. Change Management	Geopolitical Concerns	Laws and Regulations			Bill Smith	John Davis Steve Johnson	Legal Oversight Committee	
	Compliance Policies & Procedures	HR Resource Policies & Procedures	I.T. Asset Management	Government Investigations	Facilities and Equipment	Market Research	Terrorism		Social Concerns	Organization Structure	Credit Rating
	Compliance Program Assessment	Occupational Health & Safety	I.T. Business Continuity Management	Government Uncertainty					Social Media	Scenario Planning	Customer Credit Policy
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		Union Labor/ Workforce Issues	I.T. Records Management	Public Affairs	Operations Performance Management	Sales Strategy					Planning/ Budgeting/ Forecasting
			Privacy and Data Protection								Procurement
			Technology Licensing								Taxation

ERM Framework Summary



Risk Rating Matrix

Likelihood of Risk Occurring

Value	Likelihood	Description
5	Very High	Event has occurred in last 12 months, or; >75% chance of occurring within five to 7 years.
4	High	Event has occurred in last 24 months, or; 50-75% chance of occurring within five years.
3	Medium	20-50% chance of occurring within five years.
2	Low	10-20% chance of occurring within five years.
1	Very Low	<10% of occurring within five years.

Impact if Risk Occurred

Value	Impact	Mission	Finance	Operations
5	Very High (Severe)	Severely impacts our ability to achieve UPS Mission	Results in a single year financial impact >\$XXX MM, with ongoing impact	Severely disrupts enterprise-wide customer service or operations reliability; or impacts brand long term
4	High (Significant)	Significantly impacts our ability to achieve UPS Mission	Results in a single year financial impact greater than \$XXX MM and less than \$XXX MM, with some ongoing impact	Significantly disrupts enterprise-wide customer service or operations reliability; or impacts brand long term
3	Medium (Moderate)	Moderately impacts our ability to achieve UPS Mission	Results in a single year financial impact greater than \$XX MM and less than \$XXXMM, with some ongoing impact	Moderate impact on enterprise-wide customer service or operations reliability; or impacts the brand for a limited period of time
2	Low (Minor)	Minor impact on our ability to achieve UPS Mission	Results in a single year financial impact greater than \$XX MM and less than \$XX MM, with some ongoing impact	Limited disruption of customer service or operations reliability, limited impact on brand
1	Very Low (Insignificant)	Insignificant impact on our ability to achieve UPS Mission	Results in a single year financial impact <\$XX MM, and little ongoing impact	Minimal disruption of customer service or operations reliability, no impact on brand

ERM Framework Summary

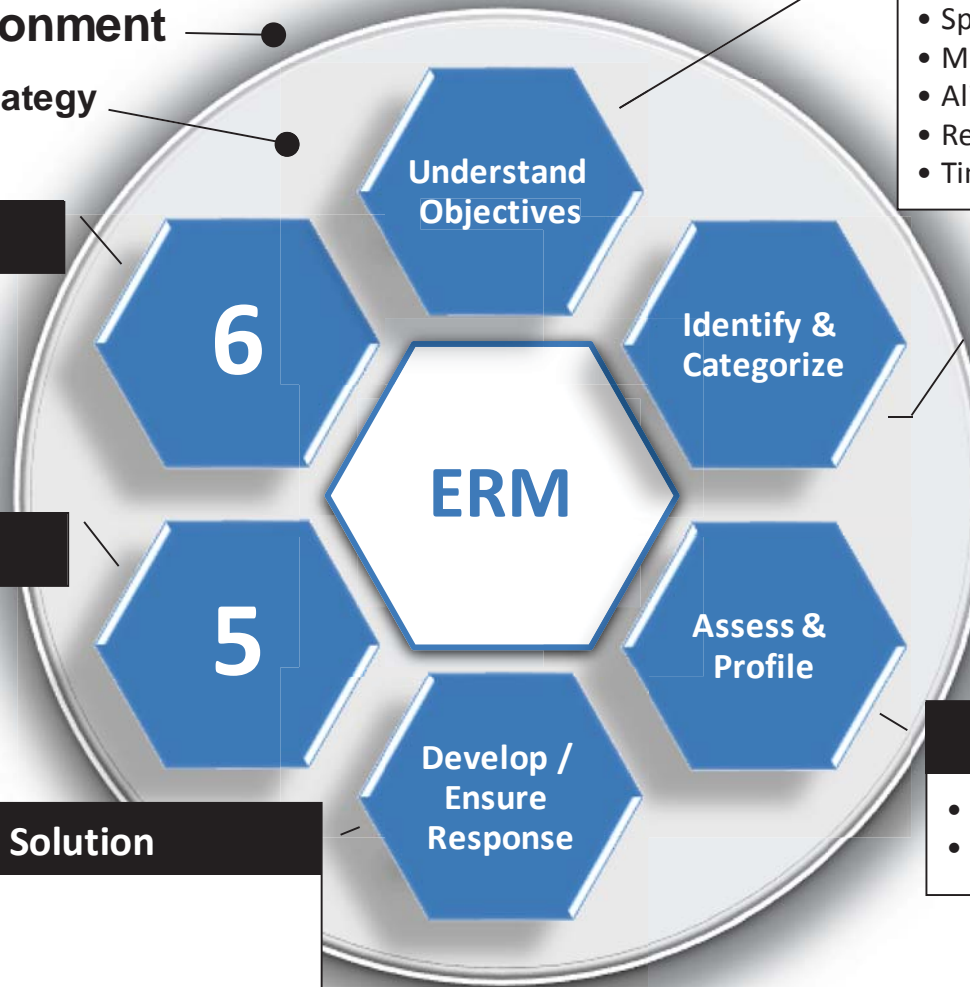
Business Environment

Organizational Strategy

Follow -up

Awareness

Enterprise R



Information

- Specific
- Measurable
- Aligned
- Realistic
- Timely

Context

- Strategic
- Operational
- Reporting
- Compliance

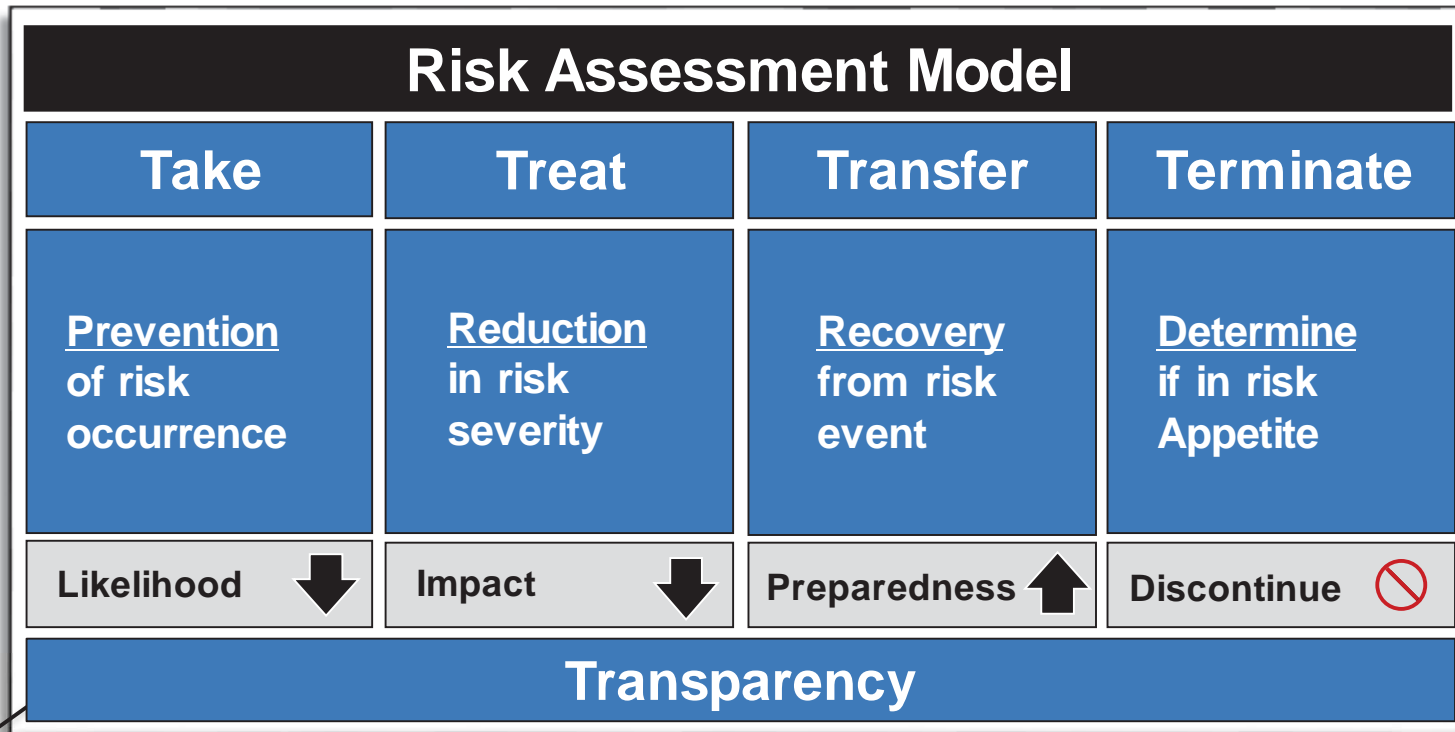
Measurement

- Impact
- Likelihood

Solution

- Take
- Treat
- Transfer
- Terminate
- Transparency

Risk Response



Is this risk able to be viewed & understood?

How much influence do we have over the risk occurring?

What can be done to reduce the impact of the risk event, if it occurs?

Can the risk be prepared for and /or recovered from?

Is this risk within our risk appetite and /or tolerance?

Would the risk be taken if it was visible to all stakeholders

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ERM Framework Summary

Business Environment

Organizational Strategy

Follow -up

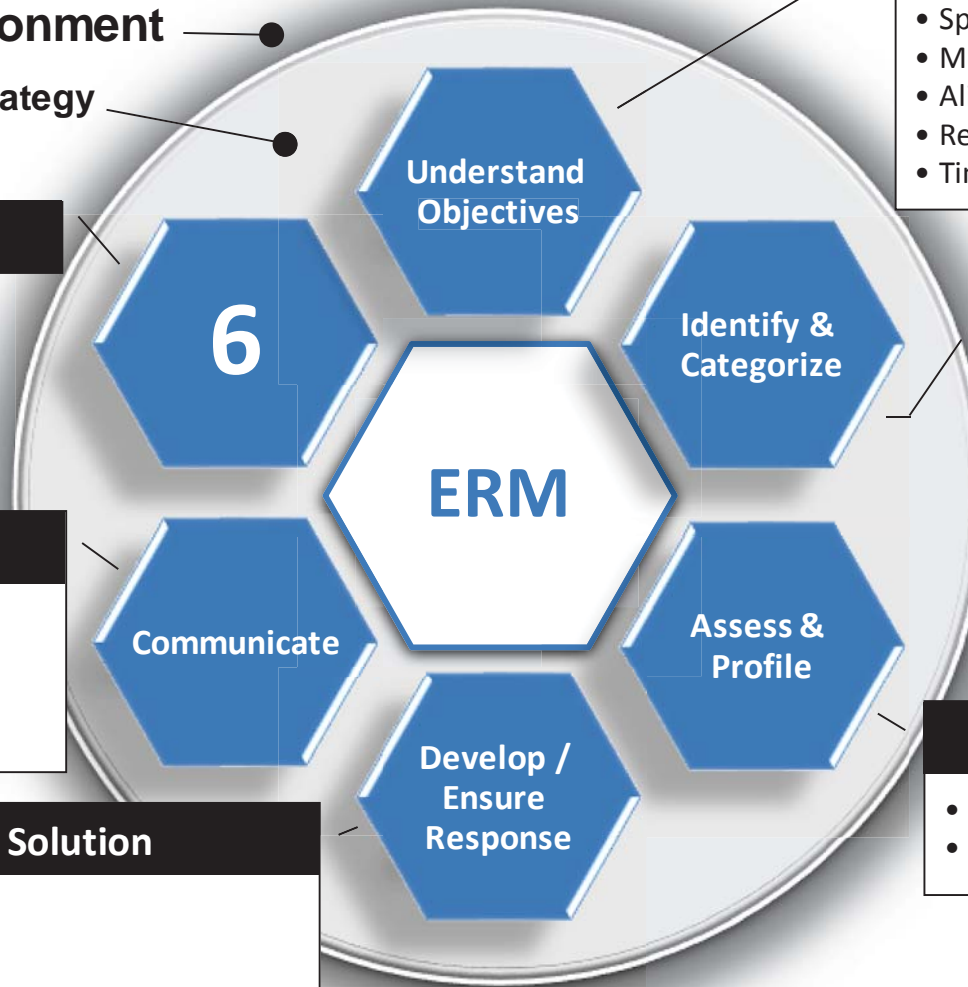
Awareness

- Senior Management
- Enterprise Risk Council
- Risk Owners
- Business Leaders

Solution

- Take
- Treat
- Transfer
- Terminate
- Transparency

Enterprise R



Information

- Specific
- Measurable
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Context

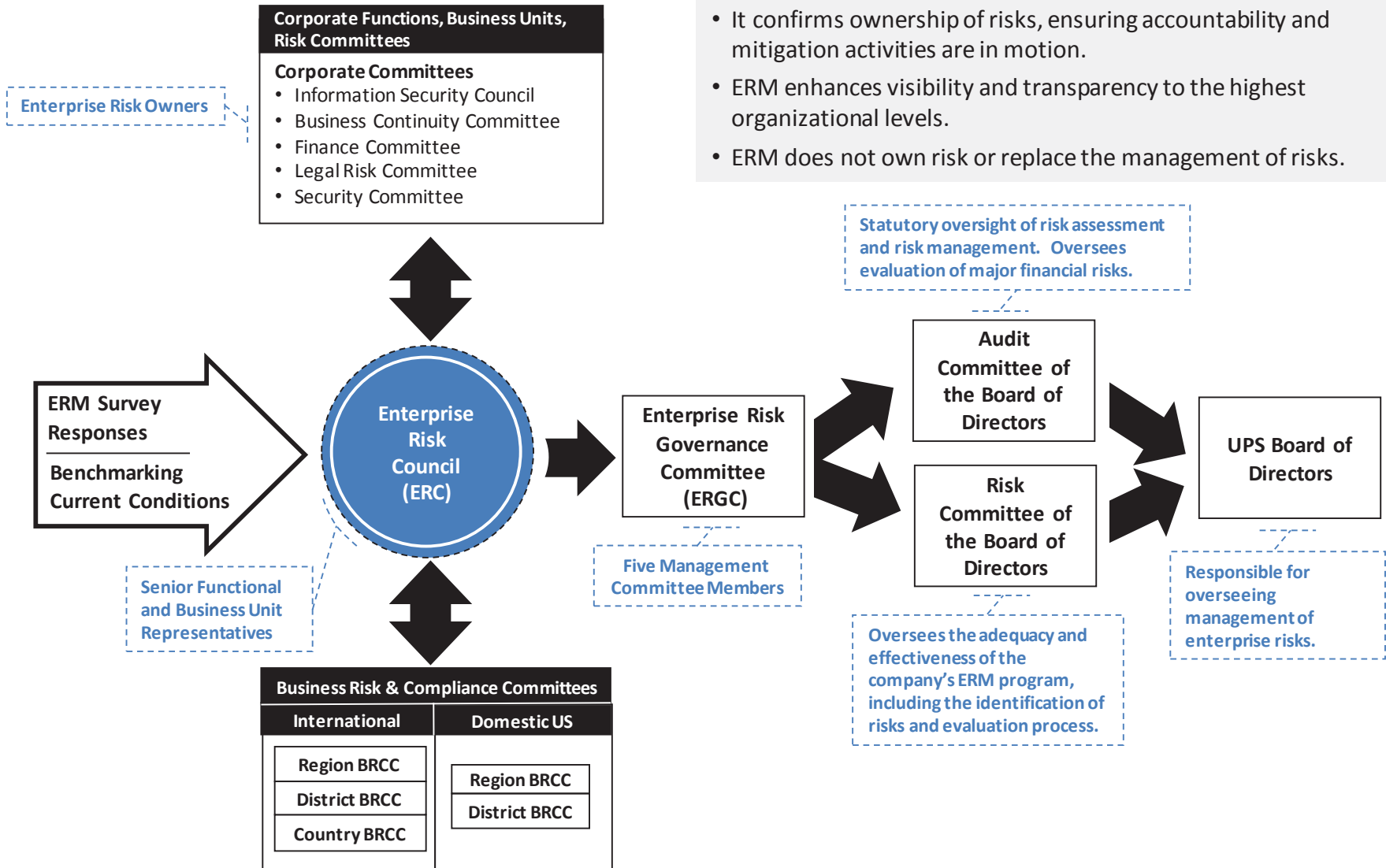
- Strategic
- Operational
- Reporting
- Compliance

Measurement

- Impact
- Likelihood

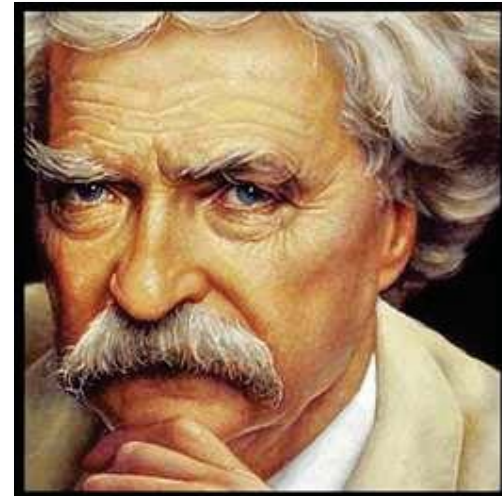
ERM Structure

- ERM Program**
- ERM is a process that identifies, evaluates and prioritizes enterprise level risk.
 - It confirms ownership of risks, ensuring accountability and mitigation activities are in motion.
 - ERM enhances visibility and transparency to the highest organizational levels.
 - ERM does not own risk or replace the management of risks.



Risk Recognition (Oblivious to the Obvious)

“The thing long expected takes the form of the unexpected when at last it comes.”



Mark Twain 1835 -1910

Risk Profile

Illustrative

○ Current Rating
 ✕ Target Rating

Tier 1 ■
 Tier 2 ■

Preventable Strategic External

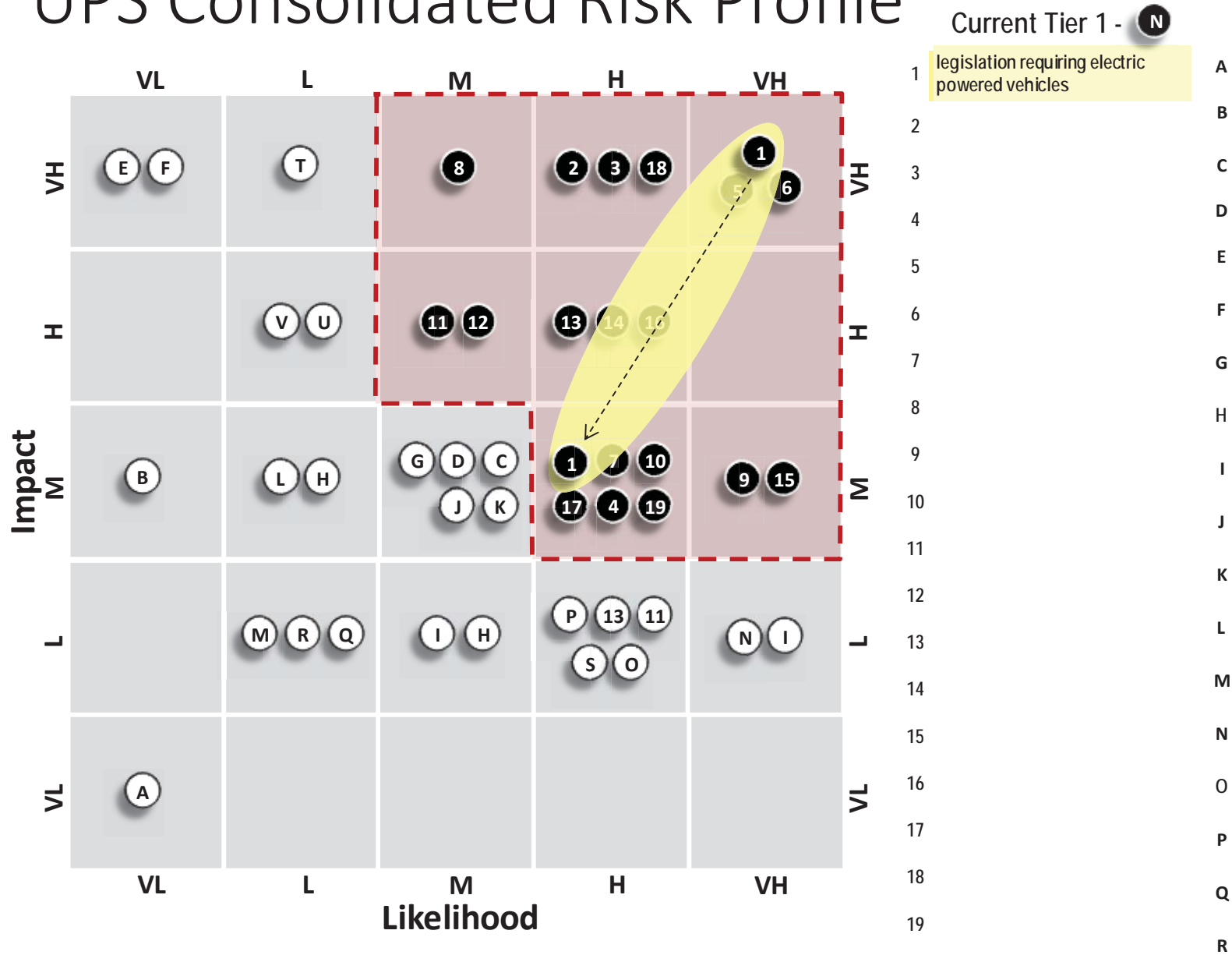
Risk Category	Sub-Category	MC Sponsor	ERC Sponsor	Risk Owner	Risk Matrix				
Operations / Engineering	Fleet Management	C-Suite	VP – ERC Member	VP Public Affairs VP Engineering					○
Risk Statement: There is a risk that current legislation will require all delivery vehicles, operating within major city limits, to be electric powered by 2019.								✕	

Comments:

Risk Contributor(s)	Control(s) / Mitigation	Function	Status	L	I	Planned Completion
Proposed climate change legislation to lower large city carbon emissions	- Establish relationships with key legislators to ensure Company concerns are addressed.	Public Affairs	Executed	-	-	--
	- Public Affairs to develop impact and response plan to include potential alternative legislation or time extension for implementation of current regulations.		On-going	1	-	Q4-2018
Limited alternatives to current delivery methods in large metro areas	- Current engineering study to identify and / or create alternative delivery options.	Engineering	Planned	-	0.4	Q4-2017
Increased cost of alternative vehicles due to supply and demand challenges	- Current program in place to identify and purchase alternative fuel powered vehicles.	Automotive	On-going	-	-	--
	- Establish with automotive industry priority vendor relationships for the purchase of new vehicles.		Planned	-	0.4	Q4-2018
	- Investigate acquisition project to acquire production plant to retrofit current vehicles.	Engineering	Planned	-	0.2	Q4-2018
	- Develop capital budgeting proposal and assess overall impact.	Finance	Planned	-	-	Q1-2017

UPS Consolidated Risk Profile

Illustrative



ERM Framework Summary

Business Environment

Organizational Strategy

Follow -up

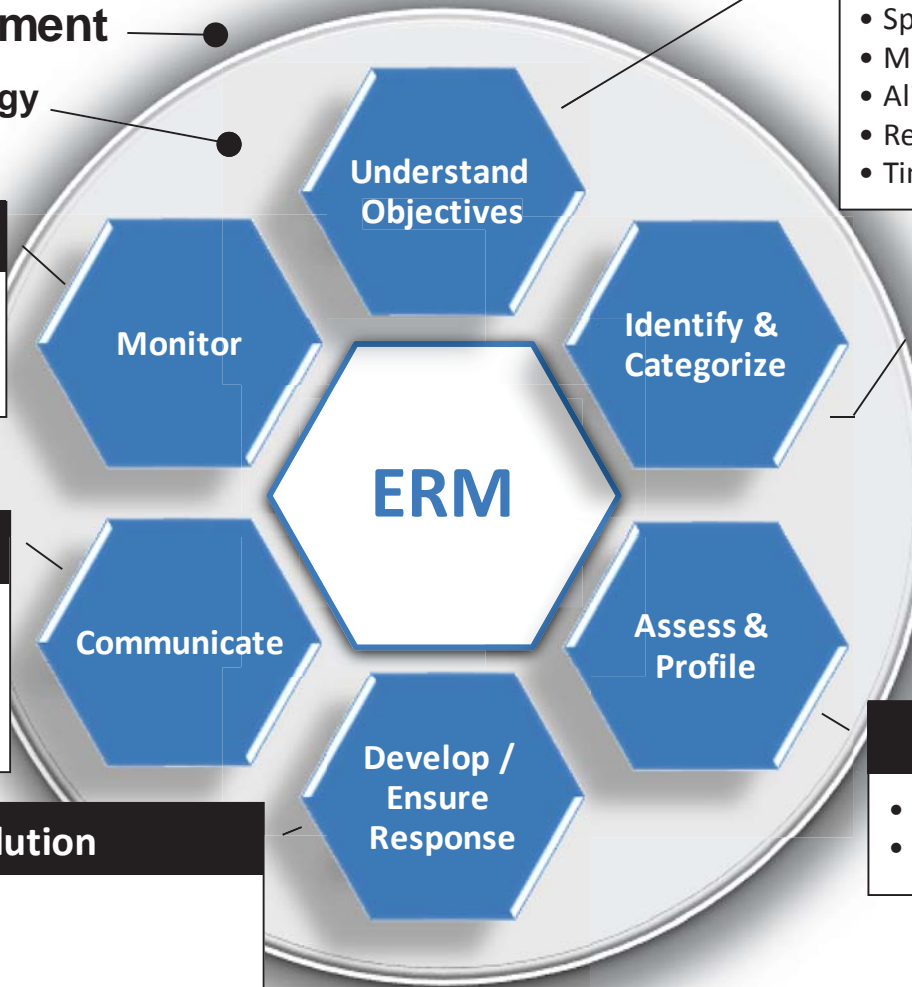
- Assurance / Insurance
- Governance & Oversight

Awareness

- Senior Management
- Enterprise Risk Council
- Risk Owners
- Business Leaders

Solution

- Take
- Treat
- Transfer
- Terminate
- Transparency



Information

- Specific
- Measurable
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- Realistic
- Timely

Context

- Strategic
- Operational
- Reporting
- Compliance

Measurement

- Impact
- Likelihood

Final Thoughts

The central value of an ERM program is found in its ability to provide an organization with a systemic awareness of potential risk events. It does not generate intelligence, it is a consumer of information provided by all parts of the organization and it all begins with a conversation.

Keith Cureton

VP Global Compliance & Ethics | ERM

AFERM Summit

November 8, 2016

thankyou

