Risk Factors Comparison 2024-02-20 to 2023-02-21 Form: 10-K

Legend: **New Text** ~~Removed Text~~ Unchanged Text Moved Text Section

Our business, financial condition and results of operations are and will remain subject to numerous risks and uncertainties. You should carefully consider the following risk factors, which may have materially affected or could materially affect us, including impacting our business, financial condition, results of operations, stock price, credit rating or reputation. You should read these risk factors in conjunction with" Management' s Discussion and Analysis of Financial Condition and Results of Operations" in Item 7 and our" Financial Statements and Supplementary Data" in Item 8. These are not the only risks we face. We could also be affected by other unknown events, factors, uncertainties, or risks that we do not currently consider to be material. Business and Operating Risks ~~The consequences of the COVID- 19 pandemic have had, and may continue to have, a significant impact on us, as well as on the operations of many of our customers. The consequences of the COVID- 19 pandemic have had a substantial impact on business and consumer activity, including contributing to a curtailment of certain business activities (including a decrease in demand for a broad variety of goods and services), significant ongoing supply chain disruptions, economic uncertainty and volatility in global financial markets. These consequences have significantly impacted, and may continue to significantly impact us, and have had, and may continue to have, a material adverse impact on the operations, financial performance and liquidity of many of our customers. Because of ongoing uncertainty with respect to the consequences of the COVID- 19 pandemic, the future impact on our operations, financial condition and liquidity also remains uncertain and difficult to predict. This impact will continue to depend on evolving factors, many of which are not within our control, and to which we may not be able to effectively respond. These risks include, but are not limited to: a significant reduction in revenue due to renewed or extended curtailment of business activities; a significant increase in our expenses or a reduction in our operating margins due to long- term changes in the mix of our products and services; effects from governmental, business and individuals' actions that have been and continue to be taken in response to the pandemic (including workforce pressures); reductions in operating effectiveness due to employees working remotely or in hybrid models; unavailability of personnel; the delay or cancellation of capital projects and related delays in, or loss of, expected benefits therefrom; limited access to liquidity; increased volatility and pricing in the capital markets; further disruption of global supply chains; impairments in the fair value of our assets; increases in pension funding obligations; and reductions in our customers' credit- worthiness.~~ Changes in general economic conditions, in the U. S. and internationally, may adversely affect us. We conduct operations in over ~~220~~ **200** countries and territories. Our operations are subject to ~~cyclicality affecting~~ national and international ~~economies~~ **economic factors** ~~in general~~, as well as the local economic environments in which we operate. Changes in general economic conditions are beyond our control, and it may be difficult for us to adjust our business model ~~to mitigate the impact of these factors~~. For example, we are affected by ~~levels of~~ industrial production, inflation, unemployment ~~levels~~, consumer spending and retail activity **levels**. We ~~could~~ **have been, and may in the future** be **,** materially affected by adverse developments in these aspects of the economy. We have also been, and may in the future be, adversely impacted by changes in general economic conditions ~~as a result~~ **resulting** ~~of~~ **from** geopolitical uncertainty and / or conflicts in or arising from the countries and ~~/ or~~ regions where we operate, including the United Kingdom, the European Union, ~~the~~ Ukraine, the Russian Federation **, the Middle East** and the Trans- Pacific region. Changes in general economic conditions, or our inability to accurately forecast these changes or mitigate the impact of these conditions on our business, could materially adversely affect us. Our industry is rapidly evolving. We expect to continue to face significant competition, which could materially adversely affect us. Our industry ~~is~~ **continues to** rapidly ~~evolving~~ **evolve**, including demands for faster deliveries ~~and~~ **,** increased visibility into shipments **and development of other services**. We expect to continue to face significant competition on a local, regional, national and international basis. Competitors include the U. S. and ~~other~~ international postal services, various motor carriers, express companies, freight forwarders, air couriers, large transportation and e- commerce companies that ~~have made and~~ continue to make significant investments in their own logistics capabilities, some of whom are currently our customers. We also face competition from start- ups and other smaller companies that combine technologies with flexible labor solutions such as crowdsourcing ~~to focus on local market needs~~. ~~Competition~~ **New technologies** may also **create additional** ~~come from other~~ sources **of competition** ~~in the future as new technologies are developed~~. Competitors have cost, operational and organizational structures that differ from ours and may offer services or pricing terms that we are not willing ~~or able~~ to offer. Additionally ~~, to sustain the level of service and value that we deliver to our customers~~, from time to time we have raised, and may in the future raise, prices and our customers may not be willing to accept these higher prices. If we do not ~~timely and~~ appropriately respond to competitive pressures, including replacing any lost volume or maintaining our profitability, we could be materially adversely affected. ~~Continued transportation~~ **Transportation** market growth may further increase competition. As a result, competitors may improve their financial capacity and strengthen their competitive positions. Business combinations could also result in competitors providing a wider variety of services and products at competitive prices, which could **also** materially adversely affect us. Changes in our relationships with any of our significant customers, including the loss or reduction in business from one or more of them, could have a material adverse effect on us. For the year ended December 31, ~~2022~~ **2023**, ~~business from~~ one customer, Amazon. com, Inc. and its affiliates, accounted for 11. ~~3~~ **8** % of our consolidated revenues. Some of our other significant customers can account for a relatively significant portion of our revenues in a particular quarter or year. Customer impact on our revenue and profitability ~~is~~ **can vary** based on **a number of** factors ~~such as~~ **, including** : contractual volume amounts; pricing terms; product launches; e- commerce or other industry trends, including those related to the holiday season; business combinations and the overall growth of a customer' s underlying business; as well as any disruptions to their businesses. Customers could choose, and have in the past chosen, to divert all or a portion of their business with us to one of our competitors, demand pricing concessions ~~for our services~~ , **request** ~~require us to provide~~ enhanced services that increase our costs, or develop their own logistics capabilities. In addition, certain of our significant customer contracts include termination rights of either party upon the occurrence of certain events or without cause upon advance notice to the other party. If all or a portion of our business relationships with one or more significant customers were to terminate or significantly change, this could materially adversely affect us. Failure to attract or retain qualified employees could materially adversely affect us. We ~~maintain a~~ **depend on the skills and continued service of our** large workforce ~~. We necessarily depend on the skills and continued service of our employees~~ . We also regularly ~~seek to~~ hire a large number of part-time and seasonal workers. We must be able to attract, ~~engage,~~ develop and retain a large and diverse global workforce ~~and maintain an environment that supports our core values~~ . If we are unable to hire, properly train or retain qualified employees, we could experience higher labor costs, reduced revenues, further increased workers' compensation and automobile liability claims **costs** , regulatory noncompliance, customer losses and diminution of our brand value or company culture, which could materially adversely affect us. Our ability to control labor costs has in the past been, and is expected to continue to be, subject to numerous factors, including **labor- related contractual obligations,** turnover, training costs, regulatory changes, market pressures, inflation, unemployment levels and healthcare and other benefit costs. In addition, **we strive to lower** our **cost to serve, including labor costs, through various** strategic initiatives ~~, including transformation, have led and are expected to continue to lead to the creation of fewer, but more impactful, jobs as we strive to lower our cost to serve~~ . Our inability to continue to retain experienced and motivated employees **through the execution of these initiatives** may also materially adversely affect us. Strikes, work stoppages or slowdowns by our employees could materially adversely affect us. Many of our U. S. employees are employed under a national master agreement and various supplemental agreements with local unions affiliated with the International Brotherhood of Teamsters (the" Teamsters"). ~~These~~ **In the third quarter of 2023, a new national master** ~~agreements~~ - **agreement with the Teamsters, which** ~~run~~ **runs** through July 31, ~~2023~~ **2028 , was ratified** . Our airline pilots, airline mechanics, ground mechanics and certain other employees are employed under other collective bargaining agreements. In addition, some of our international employees are employed under collective bargaining or similar agreements. **Other employees may choose to organize in the future.** Actual or threatened strikes, work stoppages or slowdowns by our employees could adversely affect our ability to meet our customers' needs. ~~We~~ **As a result, customers** have **reduced,** ~~begun negotiating the various supplemental agreements with the Teamsters and expect that negotiations with respect to the national master agreement will commence in April 2023. We are negotiating in good faith in an~~ **and** ~~effort to reach an agreement that is~~ in the **future** ~~best interests of our employees, the Teamsters and UPS; however, no assurances of our ability to do so, or the timing or terms thereof, can be provided. Customers~~ may reduce **,** their business or stop doing business with us if they believe that such actions or threatened actions may adversely affect our ability to provide services. We may permanently lose customers if we are unable to provide uninterrupted service, and this could materially adversely affect us. The terms of ~~future~~ collective bargaining agreements also may affect our competitive position and results of operations. Furthermore, our actions or responses to any such negotiations, labor disputes, strikes or work stoppages could negatively impact how our brand is perceived and our ~~corporate~~ reputation and have adverse effects on our business, including our results of operations. **We maintain significant physical operations.** ~~Increased~~ **Increases in operational** security requirements impose substantial costs on us and we could be the target of an attack or have a security breach, which could materially adversely affect us. As a result of concerns about global terrorism and homeland security, various governments have adopted and may ~~continue to~~ adopt ~~stricter~~ **additional heightened** security requirements, resulting in **significantly** increased operating costs. Regulatory and legislative requirements may change periodically in response to evolving threats. We cannot determine the effect that any new requirements will have on our operations, cost structure or operating results, and new rules or other future security requirements may **significantly** increase our operating costs and reduce operating efficiencies. Regardless of our compliance with security requirements or ~~the steps we take to secure our facilities or~~ **our** ~~fleet~~ **own security measures** , we could also be the target of an attack or security breaches could occur, which could materially adversely affect ~~us~~ **one or more of our operations, or our business** . A significant **cybersecurity incident, or increased** data **protection regulations,** ~~breach or information technology system disruption~~ could materially adversely affect us. We rely on information technology ~~(" IT")~~ networks and systems **and other operational technologies** , including the internet and a number of internally- developed systems and applications, as well as certain technology systems from third- party vendors ~~,~~ **(collectively referred to as" IT")** to operate our business. For example, we rely on ~~IT~~ **these technologies** to receive package level information in advance of the physical receipt of packages, to move and track packages through our operations, to efficiently plan deliveries, to execute billing processes, and to track and report financial and operational data. Our franchise locations and subsidiaries also rely on IT systems to manage their business processes and activities. **IT** ~~In addition, our services, and the operation of our networks and systems involve the collection, storage and transmission of significant amounts of proprietary information and sensitive or confidential data, including personal information of customers, employees and others. We regularly move data across national borders, and are subject to a variety of evolving laws and regulations in the U. S. and abroad regarding privacy, data protection and data security. The scope of these laws is often uncertain and may be conflicting, particularly with respect to foreign laws. For example, the E. U.' s General Data Protection Regulation greatly increases the jurisdictional reach of, and potential penalties under, E. U. law, and adds a broad array of requirements for handling personal data, including the public disclosure of significant data breaches. In addition, China~~ and other ~~countries have also enacted or proposed stringent data localization laws which could significantly increase our costs, require us to make extensive system or operational changes, or adversely affect the value of our services. IT~~ systems (ours, as well as those of our franchisees, acquired businesses, and third- party service providers) ~~are~~ **have been and will continue in the future to be** susceptible to damage, disruptions and shutdowns due to programming errors, defects or other vulnerabilities, power outages, hardware failures **, misconfigurations** , computer viruses, cyber- attacks, **encryption caused by** ransomware or malware attacks **, exfiltration of data** , attacks by foreign governments ~~and~~ **,** state- sponsored actors, **or criminal groups,** theft, misconduct by employees or other insiders, telecommunications failures, misuse, human errors or other catastrophic events. ~~These events, which have become more frequent and sophisticated, could, from time to time, cause material service outages, allow inappropriate or block legitimate access to systems or information, or result in other material interruptions in our business. In addition, the occurrence of any of these events could expose us, our customers, franchisees, service providers or others, to a risk of loss, disclosure or misuse of proprietary information and sensitive or confidential data, including personally identifiable information. The techniques used to obtain unauthorized access, disable or degrade service or sabotage systems change frequently.~~ In recent periods, the frequency and sophistication of cyber- attacks ~~has~~ **have** increased **and are expected to continue to increase** , including as a result of state- sponsored cybersecurity attacks during periods of geopolitical conflict, such as the ongoing ~~conflict~~ **conflicts** in Ukraine **and the Middle East. In addition, the rapid evolution and increased adoption of artificial intelligence technologies may intensify our cybersecurity risks** . Accordingly, we may be unable to anticipate these techniques or to implement adequate measures to recognize, detect or prevent the occurrence of any of the events described above **. In addition, our security processes, protocols and standards may not prove to be sufficient, effective or may not be complied with, either intentionally or inadvertently. To date, we have not experienced a material cybersecurity incident. However, cybersecurity incidents have in the past and may in the future expose us, our customers, franchisees, service providers or others, to loss, disclosure or misuse of proprietary information and sensitive or confidential data or result in disruptions to our operations or those of our customers, franchisees, service providers or others. For example, cyber criminals have in the past gained access, and are expected to continue to try to gain access to customer accounts. The type of activity includes fraudulently diverting and misappropriating items being transported in our network, fraudulently charging shipment fees to customer or franchisee accounts, and fraudulently sending text messages to recipients purporting to be from UPS. The occurrence of any of the events described above could result in material disruptions in our business, the loss of existing or potential customers, damage to our brand and reputation, additional regulatory scrutiny, litigation and other potential material liability** . We also may not discover the occurrence of any of the events described above for a significant period of time after the event occurs. ~~Hybrid and remote working arrangements may heighten these risks.~~ We **utilize** ~~also depend on~~ and interact with the IT networks and systems of third ~~-~~parties for many aspects of our ~~operations~~ **business** , including **related to** our customers, franchisees and service providers such as cloud service providers and third- party delivery services. These third parties ~~may~~ have access to information we maintain about our company, operations, customers, employees and vendors, or operating systems that are critical to or can significantly impact our business operations. These third parties are subject to risks ~~resulting from data breaches, cyberattacks, IT systems disruptions, and other events or actions~~ described above **, and other risks,** that could damage, disrupt or close down their networks or systems. Security processes, protocols and standards that we implement and contractual provisions requiring security measures that we impose on such third ~~-~~parties may not be sufficient or effective at preventing such events **or may not be adhered to** . ~~Any of these~~ **These** events **have in the past and** could **in the future** result in unauthorized access to, or disruptions or denials of access to, misuse or disclosure of, information or systems that are important to us, including proprietary information, sensitive or confidential data, and other information about our operations, customers, employees and suppliers, including personal information. We have invested and expect to continue to invest in IT security initiatives, IT risk management and disaster recovery ~~plans~~ **capabilities** . The costs and operational consequences of implementing, maintaining and enhancing further data or system protection measures could increase significantly to overcome increasingly frequent, complex and sophisticated cyber threats and regulatory requirements ~~. The occurrence of any of the events described above could result in material disruptions in our business, the loss of existing or potential customers, damage to our brand and reputation, additional regulatory scrutiny, litigation and other potential material liability~~ . In addition, our customers' confidence in our ability to protect data and systems and to provide services consistent with their expectations could be impacted, further disrupting our operations ~~. Similarly, an actual or alleged failure to comply with increasingly challenging U. S. and foreign data protection regulations or other data protection standards may expose us to litigation, fines, sanctions or other penalties~~ . While we maintain cyber insurance, we cannot be certain that our coverage will be adequate for liabilities actually incurred, that insurance will continue to be available to us on economically reasonable terms, or at all, or that any insurer will not deny coverage as to any future claim. Although to date we are unaware of any material data breach or **cybersecurity incident, including an information** system disruption ~~, including a cyber- attack~~ , we cannot provide any assurances that such **material** events and impacts will not occur ~~and be material~~ in the future. Our efforts to deter, identify, mitigate and / or eliminate future breaches **or cybersecurity incidents** may require significant additional effort and expense and may not be successful **. In addition, there has recently been heightened regulatory and enforcement focus relating to the collection, use, retention, transfer, and processing of personal data in the U. S. (at both the state and federal level) and internationally, including the EU' s General Data Protection Regulation, the California Privacy Rights Act, the Virginia Consumer Data Protection Act, and other similar laws that have been or are expected to be enacted by other jurisdictions. In addition, China and certain other jurisdictions have enacted more stringent data localization requirements. An actual or alleged failure to comply with applicable data protection laws, regulations, or other data protection standards has in the past and may in the future expose us to litigation, fines, sanctions, or other penalties, which could harm our reputation and adversely affect our business, results of operations, and financial condition. The regulatory environment is increasingly challenging, based on discretionary factors, and difficult to predict. Consequently, compliance with applicable regulations in the various jurisdictions in which we do business may present material obligations and risks to our business, including significantly expanded compliance burdens, costs, and enforcement risks which are expected to increase over time; require us to make extensive system or operational changes; or adversely affect the cost or attractiveness of the services we offer** . Failure to maintain our brand image and corporate reputation could materially adversely affect us. Our success depends in part on our ability to maintain the image of the UPS brand and our reputation. Service quality issues, actual or perceived, could tarnish the image of our brand and may cause customers not to use UPS services. Also, adverse publicity or public sentiment surrounding labor relations, environmental, sustainability and governance ~~(" ESG")~~ concerns, physical or cyber security matters, political activities and similar matters, or attempts to connect our company to such issues, either in the U. S. or elsewhere, could materially adversely affect us. For example, damage to our reputation or loss of brand equity could require the allocation of resources to rebuild our reputation and restore the value of our brand. **The proliferation of social media may increase the likelihood, speed, and magnitude of negative brand events.** Global climate change ~~presents challenges to our business which~~ could materially adversely affect us. The effects of climate change present 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. Our ability to meet our goals will depend in part on significant technological advancements with respect to the development and availability of reliable, affordable and sustainable alternative solutions that are outside of our control, including **sustainable** aviation fuel and alternative fuel vehicles. While we remain committed to being responsive to the effects of climate change and reducing our carbon footprint, there can be no assurances 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, that the severity of and or the pace of negative climate- related effects will not accelerate faster than expected, 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 or other expenses, revenue or results of operations. Furthermore, methodologies for reporting climate- related information may **change** ~~be updated~~ and previously reported information may be adjusted to reflect **new reporting protocols or regulations,** ~~improvement~~ **improvements** in the availability and quality of third- party data, changing assumptions, changes in the nature and scope of our operations and other changes in circumstances. Our processes and controls for reporting climate- related information across our operations are evolving along with multiple disparate standards for identifying, measuring and reporting sustainability metrics, including disclosures that may be required by the SEC, European and other regulators, and such standards may change over time, which could result in significant revisions to our current goals, reported progress in achieving such goals, or our ability to achieve such goals in the future. Changes in regulation or technology impacting our business could require us to write down the carrying value of assets, which could result in material impairment charges. 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 or there is perception that we failed to 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. Severe weather or other natural or man- made disasters could materially adversely affect us. Weather conditions or other natural or man- made disasters and the increased severity or frequency thereof (including as a result of climate change), including storms, floods, fires, earthquakes, rising temperatures, epidemics, pandemics, conflicts, civil or political unrest, or terrorist attacks, have in the past and may in the future disrupt our business. Customers may reduce shipments, supply chains may be disrupted, demand may be negatively impacted or our costs to operate our business may increase, any of which could have a material adverse effect on us. Any such event affecting one of our major facilities could result in a significant interruption in or disruption of our business. A potential result of climate change is more frequent or more severe weather events or natural disasters. To the extent such weather events or natural disasters do become more frequent or severe, disruptions to our business and **those of our customers and** costs to repair damaged facilities or maintain or resume operations could increase **. Furthermore, climate change may reduce the availability or increase the cost of insurance for these negative impacts of natural disasters and adverse weather conditions by contributing to an increase in the incidence and severity of such natural disasters** . Economic, political, or social developments and other risks associated with international operations could materially adversely affect us. We have significant international operations ~~. We~~ **and, as a result, we** are exposed to changing economic, political and social developments ~~that~~ **in a number of countries, all of which** are beyond our control. Emerging markets are often more volatile than those in other countries, and any broad- based downturn in these markets ~~from any of those developments~~ could reduce our revenues and materially adversely affect our business, financial condition and results of operations. We are subject to many laws governing our international operations, including those that prohibit improper payments to government officials and commercial customers, govern our environmental impact or labor matters, and restrict where we can do business, our shipments to certain countries and the information that we can provide to non- U. S. governments. Our failure to manage and anticipate these and other risks associated with our international operations could materially adversely affect us. Our inability to effectively integrate any acquired ~~operations~~ **businesses** and realize the anticipated benefits of any acquisitions, joint ventures, strategic alliances or dispositions could materially adversely affect us. From time to time we acquire businesses, form joint ventures and strategic alliances, and dispose of operations. Whether we realize the anticipated benefits from these transactions depends, in part, upon successful integration between the businesses involved, the performance of the underlying operations, capabilities or technologies and the management of the acquired operations. Accordingly, our financial results could be materially adversely affected by our failure to effectively integrate acquired operations, unanticipated performance or other issues or transaction- related charges. Financial Risks ~~We are exposed to the effects of changing~~ **Changing** fuel and energy prices, including gasoline, diesel and jet fuel, and interruptions in supplies of these commodities **could materially adversely affect us** . Fuel and energy costs have a significant impact on our operations. We require significant quantities of fuel for our aircraft and delivery vehicles and are exposed to the risks associated with variations in the market price for petroleum products, including gasoline, diesel and jet fuel. We seek to mitigate our exposure to changing fuel prices through our pricing strategy and may utilize hedging transactions from time to time. **There can be no assurance that this strategy will be effective.** If we are unable to maintain or increase our fuel surcharges, higher fuel costs could materially adversely impact our operating results. Even if we are able to offset changes in fuel costs with surcharges, high fuel surcharges have in the past, and may in the future result in a shift from our higher- yielding products to lower- yielding products or an overall reduction in volume, revenue and profitability ~~. There can also be no assurance that our strategy will be effective~~ . Moreover, we could experience a disruption in energy supplies as a result of new or increased regulation, war or other conflicts, weather- related events or natural disasters, actions by producers (including as part of their own sustainability efforts) or other factors beyond our control, which could have a material adverse effect on us. Changes in foreign currency exchange rates or interest rates may have a material adverse effect on us. We conduct business in a number of countries, with a significant portion of our revenue derived from operations outside the United States. Our international operations are affected by changes in the exchange rates for local currencies, in particular the Euro, British Pound Sterling, Canadian Dollar, Chinese Renminbi and Hong Kong Dollar. We are exposed to changes in interest rates, primarily on our short- term debt and that portion of our long- term debt that carries floating interest rates. Additionally, changes in interest rates impact the valuation of our pension and postretirement benefit obligations and the related costs recognized in the statements of consolidated income. The impact of changes in interest rates on our pension and postretirement benefit obligations and costs, and on our debt, is discussed further in Part I," Item 7- Critical Accounting Estimates," and Part II," Item 7A- Quantitative and Qualitative Disclosures about Market Risk ~~,~~" **,** respectively, of this report. We monitor and manage foreign currency exchange rate and interest rate exposures, and use derivative instruments to mitigate the impact of changes in these rates on our financial condition and results of operations; however, changes in foreign currency exchange rates and interest rates cannot always be predicted or effectively hedged, and may have a material adverse effect on us. Our business requires significant capital and other investments; if we do not accurately forecast our future investment needs, we could be materially adversely affected. Our business requires significant capital investments, including in aircraft, vehicles, technology, facilities and sortation and other equipment. In addition to forecasting our capital investment requirements, we adjust other elements of our operations and cost structure in response to economic and regulatory conditions ~~, and consistent with our long- term strategy and commitments~~ . These investments support both our existing business and anticipated growth. Forecasting amounts, types and timing of investments involves many factors which are subject to uncertainty and may be beyond our control, such as general economic trends, revenues, profitability, changes in governmental regulation and competition. If we do not accurately forecast our future capital investment needs, we could under- or over- invest, or have excess capacity or insufficient capacity, any of which ~~would~~ **could** negatively affect our revenues and profitability. Employee health and retiree health and pension benefit costs represent a significant expense to us; further cost increases could materially adversely affect us. Our employee health, retiree health and pension benefit expenses are significant. In recent years, we have experienced ~~significant~~ increases in some of these costs, in particular, ongoing increases in healthcare costs in excess of the rate of inflation and historically low discount rates that we use to value our company- sponsored defined benefit plan obligations. Increasing healthcare costs, volatility in investment returns and discount rates, as well as changes in laws, regulations and assumptions used to calculate retiree health and pension benefit expenses, may materially adversely affect our business, financial condition, or results of operations, and have required, and may in the future require significant contributions to our benefit plans. Our national master agreement with the Teamsters includes provisions that are designed to mitigate certain healthcare expenses, but there can be no assurance that our efforts will be successful or that these efforts will not materially adversely affect us. We participate in various trustee- managed multiemployer pension and health and welfare plans for employees covered under collective bargaining agreements. As part of the overall collective bargaining process for wage and benefit levels, we have agreed to contribute certain amounts to the multiemployer benefit plans during the contract period. The multiemployer benefit plans set benefit levels and are responsible for benefit delivery to participants. Future contribution amounts to multiemployer benefit plans will be determined through collective bargaining. However, in future collective bargaining negotiations, we could agree to make significantly higher future contributions to one or more of these plans. At this time, we are unable to determine the amount of additional future contributions, if any, or whether any material adverse effect on us could result from our participation in these plans. In addition to our ongoing multiemployer pension plan obligations, we may have an obligation in the future to pay significant coordinating benefits previously earned by UPS employees in the Central States Pension Fund (the" CSPF"). For additional information on our potential liabilities related to the CSPF, see note 5 to the audited, consolidated financial statements. Insurance and claims expense could materially adversely affect us. We have a combination of both self- insurance and high- deductible insurance programs for the risks arising out of our business and operations, including claims exposure resulting from cargo loss, personal injury, property damage, aircraft and related liabilities, business interruption and workers' compensation. Self- insured workers' compensation, automobile and general liabilities are determined using actuarial estimates of the aggregate liability for claims incurred and an estimate of incurred but not reported claims, on an undiscounted basis. Our accruals for insurance reserves reflect certain actuarial assumptions and management judgments, which are subject to a high degree of variability. If the number ~~or~~ **,** severity **or cost** of claims for which we ~~are retaining~~ --- **retain** risk continues to increase, our financial condition and results of operations could be materially adversely affected. If we lose our ability to, or decide not to, self- insure these risks, our insurance cost could materially increase and we may find it difficult to obtain adequate levels of insurance coverage. Changes in markets and our business plans have resulted, and may in the future result, in substantial impairments of the carrying value of our assets, thereby reducing our net income. We regularly assess the carrying values of our assets relative to their estimated fair values **. If the carrying value of an asset exceeds its estimated fair value, we may be required to incur charges to reduce the carrying value thereof** . The determination of fair value is dependent on a significant number of estimates and assumptions that could be impacted by a variety of factors, including changes in business strategy, revenue, expenses, government regulations, including regulation related to climate change, costs of capital and economic or market conditions. The use of different estimates or assumptions could also result in different estimates of fair value. Our estimates of fair value have resulted from time to time, and may in the future result, in substantial impairments of our assets **. For example, during the year ended December 31, 2023, as**

a result of a number of factors including changes in business strategy and challenging macroeconomic conditions such as increases in the risk- free interest rate and volatility of the stock prices of market comparables, we incurred impairment charges of $ 125 and $ 111 million in respect of goodwill and indefinite- lived intangible assets, respectively . In addition, we have been and may be required in the future to recognize increased depreciation and amortization charges if we determine the useful lives or salvage values of our assets are less than we originally estimated. Such changes have in the past, and may in the future, reduce our net income. We may have significant additional tax liabilities that could materially adversely affect us. We are subject to income taxes in the U. S. and many foreign jurisdictions. Significant judgment is required in determining our worldwide provision for income taxes. There are many transactions and calculations where the ultimate tax determination is uncertain. We are regularly under audit by tax authorities in many jurisdictions. Economic and political pressures to increase tax revenue may make resolving tax disputes more difficult. The final determination of tax audits and any related litigation could be materially different from our historical income tax provisions and accruals. In addition, changes in U. S. federal and state or international tax laws, other fundamental law changes currently being considered by many countries, and changes in taxing jurisdictions' administrative interpretations, decisions, policies and positions may materially adversely impact our tax expense and cash flows. Regulatory and Legal Risks Increasingly complex and stringent laws, regulations and policies could materially increase our operating costs. We are subject to complex and stringent aviation, transportation, environmental, security, labor, employment, safety, privacy, disclosure and data protection and other governmental laws, regulations and policies, both in the U. S. and internationally. In addition, we are impacted by laws, regulations and policies that affect global trade, including tariff and trade policies, export requirements, embargoes, sanctions, taxes, monetary policies and other restrictions and charges. Trade discussions and arrangements between the U. S. and various of its trading partners are fluid, and existing and future trade agreements are, and are expected to continue to be, subject to a number of uncertainties, including the imposition of new tariffs or adjustments and changes to the products covered by existing tariffs. The impact of new laws, regulations and policies or decisions or interpretations by authorities applying those laws and regulations, cannot be predicted. Compliance with any new laws, regulations or policies may increase our operating costs or require significant capital expenditures. Any failure to comply with applicable laws, regulations or policies in the U. S. or other countries could result in substantial fines or possible revocation of our authority to conduct our operations, which could materially adversely affect us. Increasingly stringent regulations related to climate change **, including reporting obligations,** could materially increase our operating costs. Regulation **and required disclosures** of greenhouse gas (" GHG") emissions **and related matters** exposes us to potentially significant new taxes, fees **, disclosure and compliance obligations** and other costs. Compliance with such regulation, and any increased or additional regulation, or the associated costs is further complicated by the fact that various countries and regions may adopt different approaches to climate change regulation **and disclosures** . For example, ~~in 2016, the International Civil Aviation Organization (" ICAO") adopted~~ the Carbon Offsetting and Reduction Scheme for International Aviation (" CORSIA"), ~~which is~~ a global, market- based emissions offset program to encourage carbon- neutral growth ~~. A~~ **began a** voluntary ~~participation~~ pilot phase ~~began~~ in 2021, **with** ~~and full~~ mandatory participation ~~is~~ scheduled to begin in 2027. ~~ICAO~~ **The International Civil Aviation Organization, which adopted CORSIA,** continues to develop details regarding implementation, but compliance with CORSIA ~~will~~ **is expected to** increase our operating costs **, potentially significantly** . In the U. S., Congress has considered but, to date, not passed various bills that would regulate GHG emissions. Nevertheless, we believe some form of federal climate change legislation is possible in the future. Even in the absence of such legislation, the Environmental Protection Agency could determine to regulate GHG emissions, especially aircraft or diesel engine emissions, and this could impose substantial costs on us. In addition, the impact that **participation in** ~~the re- entry into~~ the Paris ~~climate~~ **Climate** ~~accord~~ **Accords** may have on future U. S. policy regarding GHG emissions, on CORSIA and on other GHG regulation remains uncertain. The extent to which other countries implement that accord could also have a material adverse effect on us. Increased regulation relating to GHG emissions in the U. S. or abroad, especially aircraft or diesel engine emissions, could, among other things, increase the cost of fuel and other energy we purchase and the capital costs associated with updating or replacing our aircraft or vehicles prematurely. We cannot predict the impact any future regulation will have on our cost structure or our operating results. It is likely that such regulation could significantly increase our operating costs and that we may not be willing or able to pass such costs along to our customers. Moreover, even without such regulation, increased awareness and any adverse publicity in the global marketplace about the GHGs emitted by companies in the airline and transportation industries could harm our reputation and reduce customer demand for our services, especially our air services. **Furthermore, many countries, as well as U. S. states, in which we operate or are subject to regulation have adopted, or are expected to adopt, additional requirements relating to the disclosure of GHG emissions and related matters. In many cases these requirements differ and may conflict from country to country. Compliance with these disclosure requirements may increase our operating costs or require significant management time and attention. Any failure to comply with applicable disclosure regulations in the U. S. (at either the federal or state level) or other countries could result in substantial fines or other penalties, which could materially adversely affect us.** We may be subject to various claims and lawsuits that could result in significant expenditures which may materially adversely affect us. The nature of our business exposes us to the potential for various claims and litigation related to labor and employment, personal injury, property damage, business practices, environmental liability and other matters. Any material litigation or a catastrophic accident or series of accidents could result in significant expenditures and have a material adverse effect on us.