

## Risk Factors Comparison 2025-02-18 to 2024-02-20 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 Changes in general economic conditions, in the U. S. and internationally, may adversely affect us. We conduct operations in over 200 countries and territories. Our operations are subject to national and international economic factors, 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. For example, we are affected by industrial production, inflation, unemployment, consumer spending and retail activity levels. We 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 resulting from geopolitical uncertainty and / or conflicts in or arising from the countries and regions where we operate, including the ~~United Kingdom, the~~ European Union, 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 continues to rapidly evolve, including demands for faster deliveries, increased visibility into shipments and development of other services. We expect to continue to face significant **local, regional, national and international** competition ~~on a local, regional, national and international basis~~. Competitors include the U. S. and international postal services, various motor carriers, express companies, freight forwarders, air couriers, large transportation ~~and companies,~~ e-commerce companies **and other retailers** that continue to make significant investments in their own **technology and** 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. New **and emerging** technologies ~~may are~~ also **create creating** additional sources of competition. Competitors have cost, operational and organizational structures that differ from ours and may offer services or pricing terms that we are not willing to offer. Additionally, 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 appropriately respond to competitive pressures, including **retaining or** replacing any **volume** lost ~~volume to competitors~~ or maintaining our profitability, we could be materially adversely affected. **Industry Transportation market-growth, or lack thereof,** may further increase competition. As a result, **opportunities for growth could be limited or** 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, ~~2023-2024~~, one customer, Amazon. com, Inc. and its affiliates, accounted for 11. 8 % of our consolidated revenues. **In the first quarter of 2025, we entered into an agreement in principle with this customer that will provide for a reduction in their volume by more than 50 % by June 2026. In connection therewith, we are making certain business and operational changes intended to match our workforce to our activity and eliminate our stranded costs. In the event we are not able to successfully reduce our costs in connection therewith, our profitability could be materially impacted. For additional information on the expected operational and financial impacts arising from this agreement, see " Management's Discussion and Analysis of Financial Condition and Results of Operations "**. Some of our other ~~significant larger~~ customers can account for a relatively significant portion of our **volume and** revenues in a particular quarter or year. Customer impact on our revenue and profitability can vary based on a number of factors, 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, request 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 depend on the skills and continued service of our large workforce. We also regularly hire a large number of part-time and seasonal workers. We must be able to attract, develop and retain a large and diverse global workforce. 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 **continue to** strive to lower our

cost to serve, including labor costs, through various strategic initiatives. 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"). ~~Our In the third quarter of 2023, a new national master agreement with the Teamsters, which runs through July 31, 2028, was ratified.~~ Our airline pilots, airline mechanics, ground mechanics and certain other employees are employed under other collective bargaining agreements **that expire at various times**. 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. As a result, customers have **in the past** reduced, and in the future 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 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 reputation and **could** have adverse effects on our business, including our results of operations. We maintain significant physical operations. 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~~ **physical** security, various governments have adopted and may adopt 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~~ **Compliance** with security requirements or our own security measures **may not prevent**, ~~we could also be the target of an attack~~ **attacks** or security breaches **could occur**, which could materially adversely affect one or more of our operations, or our business. A significant cybersecurity incident, or increased data protection regulations, could materially adversely affect us. We rely on information technology 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 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~~ **provide information to package recipients, manage employee data and** 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 and other systems (ours, as well as those of our franchisees, acquired businesses, and third- party service providers) 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, state- sponsored actors, or criminal groups, theft, misconduct by employees or other insiders, telecommunications failures, misuse, human errors or other catastrophic events. In recent periods, the frequency and sophistication of cyber- attacks 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 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, **employees**, 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 **inserting**, 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 **!** **Additionally, it may take considerable time for us to investigate and evaluate the full impact of incidents, particularly for sophisticated attacks. These factors may inhibit our ability to provide prompt, full, and reliable information about the incident to our customers, regulators and the public**. We utilize and interact with the IT networks and systems of third parties for many aspects of our business, including related to our customers, franchisees and service providers such as cloud service providers and third- party delivery services. These third parties 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 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**. 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 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. 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. 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, we cannot provide any assurances that such material events and impacts will not occur 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 **reputation and 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, **safety matters**, environmental, sustainability and governance 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 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 public publicly stated statements regarding our intended reduction of intention to reduce our** 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, many of which affordable and sustainable alternative solutions that** are outside of our control. **This includes the development and availability of reliable, affordable and low emission energy solutions**, including sustainable aviation fuel and alternative fuel **and battery electric** vehicles. **While we remain committed to being responsive to the effects of climate change and reducing our carbon footprint, there** **There** can be no assurances that our goals and strategic plans to achieve those goals will be successful, that the **related** 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 and previously reported information may be adjusted to reflect new reporting protocols or regulations **-. Other changes could include** 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** **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. **The Weather conditions or other natural or man- made disasters and the increased severity or frequency thereof of certain weather conditions** (including as a result of climate change) **or other natural or man- made disasters**, including storms, floods, fires, **wind gusts**, 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, **property may be damaged, employees may be injured**, 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. **To the extent that** A potential result of climate change is more frequent or more severe weather events **conditions** or **natural other** 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, **as a result of the impact of** climate change **on** may reduce the **frequency** availability or increase the cost of insurance for ~~or severity~~ these negative impacts of ~~natural disasters and adverse weather conditions by contributing to an~~ **and other disasters, insurance providers may reduce the availability or** increase in the **cost** incidence and severity of **insurance** 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 and, as a result, we are exposed to changing economic, political and social developments 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 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,~~ **regulate** our shipments to certain countries and ~~the limit~~ 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 businesses and realize the anticipated benefits of any acquisitions, joint ventures ~~, or strategic alliances or dispositions~~ could materially adversely affect us. From time to time we acquire businesses, form joint ventures and **enter into** 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 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 **have in the past and** may **in the future** 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. 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. 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 **technological changes**, 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 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 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, **cyber- attacks**, 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, severity or cost of claims for which we 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- While we did not identify any impairment of goodwill during 2024, certain of our reporting units experienced a decrease in the excess of their estimated fair values over their respective carrying values. In addition, Additional decreases could result in goodwill or other impairment charges, which could be material. We have been and may be required in the future to recognize impairments of long- lived assets, including definite- lived intangible assets, property, plant and equipment and leases. Furthermore**, 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. **Changes in our business plans, including anticipated changes to our network in 2025, have previously and may in the future lead to revisions in our estimates of useful lives or salvage values of our assets.** Such ~~changes~~ **charges** have in the past, and may in the future, reduce our net income, **potentially materially**. 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. **For example, as previously disclosed, the SEC recently investigated our controls and practices surrounding impairment analyses in connection with the divestiture of UPS Freight in April 2021. On November 22, 2024, we entered into a settlement with the SEC, without admitting or denying the SEC' s findings in connection with alleged violations of Section 17 (a) (2) and (3) of the Securities Act of 1933 (and related provisions), resolving the investigation. Under the terms of the settlement, we agreed to pay a civil penalty, and agreed to**

**remedial actions, training and process changes.** 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. **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. International regulations also continue to increase and could materially increase our operating costs.** For example, the ReFuelEU Aviation initiative, a European regulation, mandates jet fuel suppliers in Europe supply a target percentage of sustainable aviation fuel ("SAF") at airports inside the European Union. The SAF target percentage starts at 2 % in 2025 and increases to 70 % by 2050. The cost of SAF can be higher than conventional jet fuel, and these suppliers can pass this cost along to purchasers, which can increase our operating costs, potentially significantly. In addition, the Carbon Offsetting and Reduction Scheme for International Aviation ("CORSIA"), a global, market-based emissions offset program to encourage carbon-neutral growth began a voluntary pilot phase in 2021, with mandatory participation scheduled to begin in 2027. **The International Civil Aviation Organization, which adopted CORSIA, continues to develop details. Details regarding implementation of CORSIA continue to develop, but and compliance may with CORSIA is expected to increase our operating costs, potentially significantly. In addition, in January 2025, the President of the U. S. signed an executive order indicating** Congress has considered but, to date, not passed various bills that **the U. S. would withdraw regulate GHG emissions. Nevertheless, we believe some form from** 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 Paris Climate Accords **. The effect that the withdrawal** 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 those accord accords** could also have a material adverse effect on us. Increased regulation relating to GHG emissions in the U. S. or abroad, especially aircraft, **gasoline** 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.