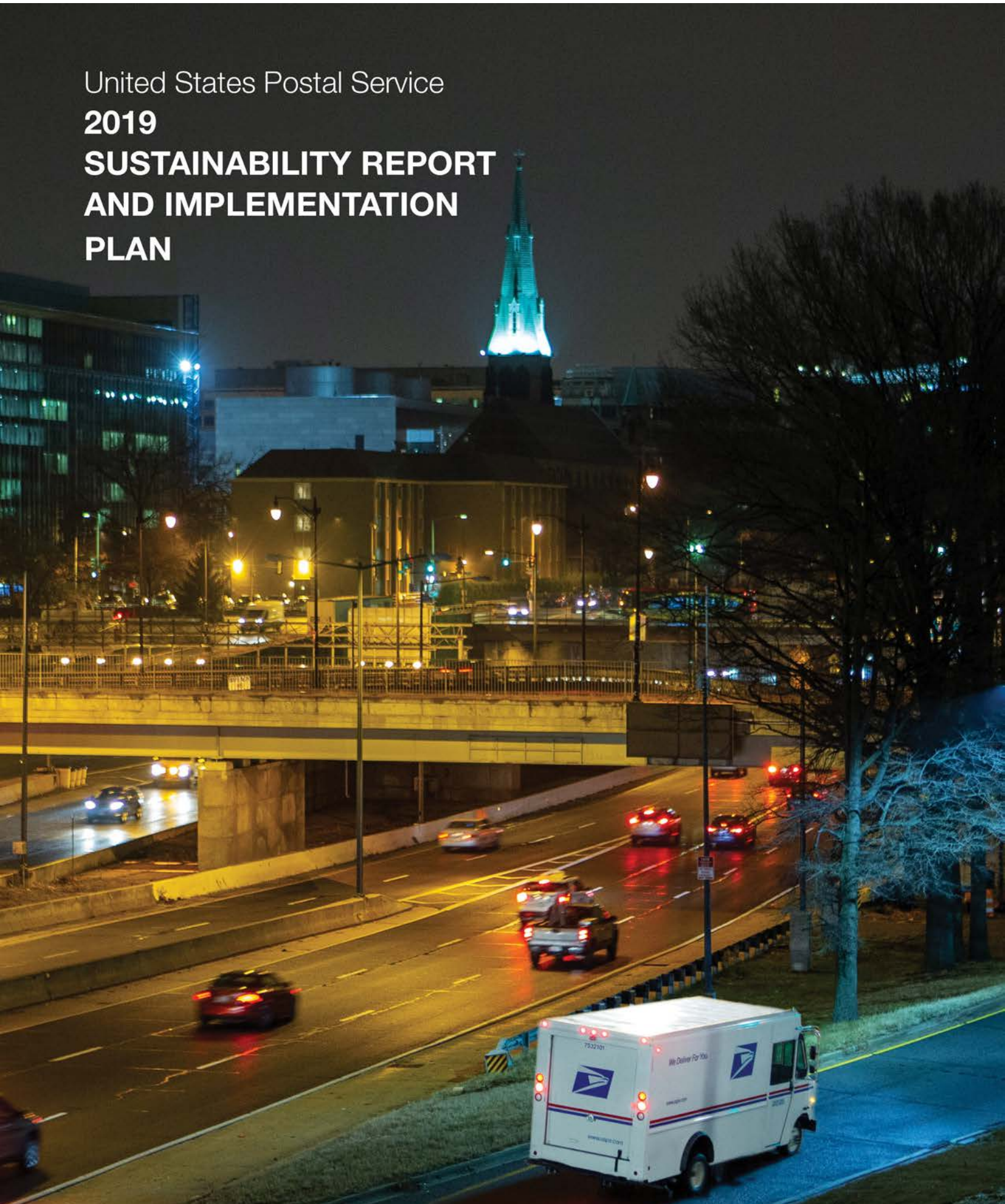
United States Postal Service

2019 SUSTAINABILITY REPORT AND IMPLEMENTATION PLAN



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Executive Summary

The mission of the United States Postal Service (USPS) is to provide the nation with reliable, affordable, universal mail service. We are governed by a Board of Governors which consists of up to nine Governors appointed by the President of the United States with the advice and consent of the Senate. The Board of Governors selects the Postmaster General, who becomes a member of the Board, and those 10 select the Deputy Postmaster General, who also serves on the Board.

The Postal Service serves a diverse customer base of residential and commercial customers, both in the United States and internationally, and our operations are funded through the sale of our products and services — not with tax dollars. Our operations are across seven geographical areas and 67 districts. As an organization that delivers 47 percent of the world's mail, we have a presence in every community in our country. We operate 31,801 Post Offices, employ 634,447 career and non-career employees, and maintain a fleet of 232,602 vehicles. We are subject to numerous federal, state, and local laws and regulations. Whenever feasible, we voluntarily set specific goals and adopt internally binding policies that seek to meet requirements applicable to Federal agencies.

We are embracing innovation and implementing initiatives to provide the highest quality service to our customers while controlling our costs and remaining competitive in the marketplace. Our strategic initiatives and continuous improvement efforts are guided by our Future Ready: Fiscal Years 2017 to 2021, U.S. Postal Service Five-Year Strategic Plan.

This 2019 Sustainability Report and Implementation Plan highlights key initiatives for our approach to Presidential Executive Order 13834 - Efficient Federal Operations. We also publish an Annual Sustainability Report (ASR) detailing sustainability efforts and our approach to examining economic, environmental, and social aspects of our business. Further information about our sustainability initiatives can be found at usps.com/green.

Through our ongoing strategic sustainability initiatives, we have reduced facility energy intensity, greenhouse gas emissions, and water consumption. Additionally, we have increased our purchases of environmentally preferable products and strengthened our recycling efforts which divert waste from landfills. We achieved this despite the challenges of a rapidly evolving business environment, a highly competitive marketplace, and legal and regulatory constraints to our current business model. One strategic aspect of our initiatives is the engagement of employees at every level to identify waste in our operations and take local action. This aligns with corporate-wide continuous improvement efforts, as well as support of informal groups such as Lean Green Teams and local champions who are empowered to conserve resources and take action to steward opportunities to improve the environment. We also engage with our employees through a biennial Green Survey and a quarterly *Sustainable Facility Update* newsletter from the Chief Sustainability Officer.

Our priorities for continuing our sustainability initiatives into FY 2020-2021 include focusing on improving facility efficiency and increasing onsite renewable energy production, including hydrogen fuel cell and solar opportunities. Additionally, we expect to award the initial contract(s) for the production phase of our fleet of aging mail trucks in 2020.

Today and for the future, we pledge to continue to pursue environmental stewardship as part of our immediate and long-term strategic plans and policies. With every delivery, the Postal Service is committed to making a positive impact on the environment.

Implementation Summary: Facility Management

1. FACILITY ENERGY EFFICIENCY

Fiscal Year (FY) 2018 Energy Intensity Progress (Btu/GSF):

30.5% reduction from FY03

5.5% increase from FY17

FY 2019 - FY 2020 Plan:

2.5% reduction in FY19 from FY18

2.5% reduction in FY20 from FY19

Implementation Status:

In an effort to reduce energy consumption and waste, USPS performed energy audits at more than 300 facilities in the past two fiscal years. During that same timeframe, USPS awarded contracts for installation of energy conservation measures at 140 buildings, resulting in more than $40 million of investment in energy efficient infrastructure. These projects have delivered a return on investment (ROI) exceeding 20 percent.

An example of these efforts are efficiency upgrades installed at our 590,000-square-foot network distribution center in Los Angeles, CA. Upgrades included replacing existing lighting with high efficiency LED fixtures, installing low-flow aerators, upgrading and repairing the heating, ventilating and air conditioning (HVAC) equipment and its control system, and repairing and upgrading the compressed air system. Based on project cost, current utility rates, and a performance rebate, we estimate this project will deliver a 45 percent return on investment.

USPS utilizes an Enterprise Energy Management System (EEMS) and a Utility Management System in determining efficiency investments throughout our facilities. These systems help inventory, analyze, and report annual facility energy use. USPS utilizes EEMS to control the set-points at a portion of our facilities. EEMS consolidates and standardizes energy-related data and provides a platform with tools to easily access the information. This system provides us with the ability to locally and remotely monitor energy consumption and equipment data to better manage and realize cost and consumption savings. This program has provided an average of a 40 percent return on investment.

Additionally, USPS utilizes EEMS to perform remote diagnostics on HVAC equipment, providing maintenance personnel with valuable information. USPS is also piloting a program to conduct automated proactive diagnostics. We are expanding our EEMS network by installing digital communication control and monitoring devices at additional facilities. In 2018, we expanded to 828 facilities, with an ultimate goal of 923.

USPS also incorporated the use of solid-state, LED interior and exterior luminaires and dimming systems into our building design standards to minimize energy usage. Lighting currently represents a large percentage of our energy costs, therefore cost effective and energy conscious lighting solutions are aggressively pursued. This brings USPS to the current state of design in the lighting industry, and will save additional energy on all related projects for lighting upgrades and new facilities.

During FY18, the increase in energy intensity over FY17 is attributed to a more intensive heating season and an increase in heating degree-days in FY18.

Priority Strategies and Planned Actions

USPS makes use of emerging technologies to operate more efficiently and save energy across the organization. We focus on reducing our impact across our operations including at our facilities, with our vehicle operations and within our supply chain. Our facilities require a large amount of energy to carry out the mailing and shipping operations that

serve our nation every day. Cost savings are produced by taking advantage of renewable technologies to reduce our impact and implementing innovative energy savings projects to reduce emissions.

USPS will employ the following strategies during the 2019 and 2020 fiscal years to reduce our energy usage:

- Utilize previously completed energy audits to conduct updated remote lighting audits, for the purpose of developing LED retrofit projects.
- Invest approximately $20 million per year on energy conservation measures that meet an internal rate of return of at least 30 percent.
- Take advantage of direct install programs offered by states/utilities for smaller buildings.
- Replace worn or damaged building components with energy efficient systems that are life cycle cost effective.
- Continue to update our Building Design Standards to incorporate energy efficient technologies that become cost effective as they mature.
- Utilize Outlease and Power Purchase Agreements (PPAs) to develop on-site renewable energy projects at USPS facilities. Due to the long-term nature of PPAs, additional effort is required to ensure they cannot be perceived as energy market hedging. Therefore, we are required to "index" the PPA prices to actual energy prices at the facility. For future on-site projects, we will be retaining the Renewable Energy Certificates (RECs) as replacement RECs.
- Engage employees at the facility level through identification and implementation of low/no cost energy conservation efforts, such as shutting off heating and cooling in unused areas, turning off lights when not in use, and other practical cost saving efforts.

2. EFFICIENCY MEASURES, INVESTMENT, AND PERFORMANCE CONTRACTING

FY 2018 Performance Contracting – Investment value and number of new projects awarded:

N/A in FY18

FY 2019 - FY 2020 Plan:

N/A in FY19

N/A in FY20

Implementation Status

USPS is a self-funded entity. We pay for our operations through the sale of postage, products and services and do not receive tax revenue to support our operations. Energy Savings Performance Contracts (ESPCs) require the use of capital funds from a third party, who in turn recoups the investment through shared savings over an extended period of time. ESPCs are not advisable within our budget process due to the fact that the contracts typically include cancellation clauses and therefore would be accounted as potential liabilities. Therefore, we are unable to enter into ESPCs or other similar contract vehicles because these types of vehicles are considered to be an impact to USPS debt limit. Nonetheless, the Postal Service will continue to explore alternative opportunities to achieve additional energy reductions.

We have begun employing innovative funding mechanisms for renewable energy and hydrogen fuel cell (HFC) systems. For renewable energy, the development and use of Indexed PPAs is a first for USPS and, generally, innovative in the on-site renewable market. For hydrogen fuel cell projects, we are reviewing an all-inclusive fuel cell solution without the financial burden of a capital project investment. This would involve two lease agreements, one for leasing the fuel cells, as we have done in the past, and one for the hydrogen fuel storage and dispensing equipment, which will be paid by adding an equipment surcharge on the hydrogen fuel used at the site. This proposal

includes lease payments on behalf of a third party financial institution. The hydrogen fuel cell, storage, and dispensing system lease prices are inclusive of the 30% tax credit that would not be available to the Postal Service if we opted for a capital project. The project lease payments will be funded from the facility's operating budget by capturing the savings realized by virtually eliminating the need for lead-acid batteries and closing the facility's battery room. All routine fuel cell maintenance and storage, and dispensing equipment maintenance are included in the lease agreements.

Priority Strategies and Planned Actions

N/A

3. RENEWABLE ENERGY

FY 2018 Renewable Electricity Use:

0.1% of total electricity in FY18

FY 2019 - FY 2020 Plan:

0.1% of total electricity in FY19
0.6% of total electricity in FY20

Implementation Status

At USPS facilities, our current strategy is to give priority to on-site renewable projects. USPS currently has 9 renewable energy sites and is actively working to identify additional potential sites. In 2018, USPS assessed additional sites across the country for solar potential. The potential contract award through these efforts will consist of 22.9 megawatts (MWs) (approximately 64,500 solar Photovoltaic (PV) panels) of installed solar capacity on the roofs and new parking canopies at four USPS facilities in 2020. This builds on progress in 2017, when USPS installed nearly 35,000 solar panels (13-MW direct current system) at the Los Angeles, CA, Processing and Distribution Center. The panels avoid an estimated 18.8 million pounds of carbon dioxide emissions annually — the equivalent of 2,000 cars — and generate energy equal to providing power to 2,420 typical American homes annually. USPS plans to continue issuing solicitations for the installation of renewable energy generating systems at USPS facilities. We assign priority to proposed capital investments, and initiatives with a high return on investment and a short payback period are highly considered.

Additionally, in 2018, the National Program Category Management Team (NPCMT) added a green component to the aggregate electricity supply solicitation in the deregulated markets. As a result, NPCMT awarded 11 out of 13 markets with 25 percent green-e Renewable Energy Certificates (eRECs) with a contract effective date of April 1, 2019. This subset of USPS facilities will consume 25 percent renewable energy.

The NPCMT will continue to add green requirements to future solicitations for electricity and natural gas supply.

Priority Strategies and Planned Actions

For FY20 and FY21, USPS is focusing on expanding on-site renewable energy projects. Funding mechanisms, such as Indexed PPAs, will be employed to achieve planned level of renewables as well as receiving replacement RECs for future projects. USPS continues to evaluate opportunities and pursue the installation of renewable energy systems at USPS facilities, like the construction of the Los Angeles solar generating system. We are in the process of developing a portfolio-wide analysis with the National Renewable Energy Laboratory (NREL) to quantify and prioritize on-site renewable opportunities at USPS facilities. There are currently four projects underway that are expected to be completed by FY21.

Installations such as these are intended to generate significant out-year revenue for USPS, while also meeting a portion of our electricity needs at a considerable discount compared to grid prices. Renewable opportunities are not

currently a focus for enhancing facility energy resilience as this is addressed in different ways, primarily through on-site generators.

4. WATER EFFICIENCY

FY 2018 Water Intensity Progress (Gal/GSF):

48.9% reduction from FY07

1.3% increase from FY17

FY 2019 - FY 2020 Plan:

.5% reduction in FY19 from FY18

.5% reduction in FY20 from FY 19

Implementation Status

Strategies for water efficiency are incorporated into the strategies employed for energy use reduction. Water is evaluated along with energy in the energy audits performance at more than 300 facilities in the past two fiscal years. Where financially feasible, water fixtures have been replaced with low-flow options at facilities as part of this program. Generally, our operations are not water intensive and the major source of water use is through these fixtures.

While water use is not a major input for our operations, USPS is committed to improving impacts from our operations by reducing water consumption at our facilities and observing water use restrictions for landscaping. Water is consumed primarily through employee use and facility maintenance. In 2018, USPS used just under 3 billion gallons of water across our operations. USPS surpassed its 2025 goal of a 36 percent reduction in water intensity from a 2007 baseline, achieving a 49 percent reduction in intensity in 2018. By exceeding our goals, we are contributing to the sustainability of our community environments.

Priority Strategies and Planned Actions

USPS will invest in water-saving upgrades that are identified during audits and HVAC upgrades that meet an internal rate of return of at least 30 percent. Plumbing fixtures beyond useful life will be replaced with equipment that meets or exceeds the U.S. Environmental Protection Agency (EPA) WaterSense criteria. Landscape irrigation is largely prohibited across USPS, except where required by local ordinance. USPS will also continue to use standard contract clauses and definitions for water efficient products in our applicable postal supply procurement actions. This will help increase the availability of "water-efficient products" that are EPA WasteSense certified in our online product purchasing catalogs through our eBuy2 catalogs. The eBuy2 catalogs are our supply management system that are used to order most maintenance and office supplies rather than using a USPS credit card. These catalogs include contractually approved products for purchase.

5. HIGH PERFORMANCE SUSTAINABLE BUILDINGS (HPSB)

FY 2018 Sustainable Buildings Progress:

N/A sustainable Federal buildings

N/A of buildings / N/A of gross square footage (GSF)

FY 2019 - FY 2020 Plan:

N/A in FY19

N/A in FY20

United States Postal Service
2019 Sustainability Report and Implementation Plan

Implementation Status

We do not report our buildings in the Federal Real Property Portfolio (FRPP) and therefore we are not assessed against the high performance sustainable buildings goal. As such, we do not have a formal program to track compliance. We do, however, have an internally developed application called the Green Initiative Tracking Tool (see Priority Strategies below) that we continue to refine to track financial and volumetric sustainability performance data. Also, our Building Design Standards incorporate many of the Guiding Principles for Sustainable Federal Buildings (*e.g.*, energy and water conservation, indoor air quality, storm water management, environmentally preferred products, paper recycling, and floodplain avoidance), which we utilize to design new space and retrofit projects.

Priority Strategies and Planned Actions

USPS has expanded engagement of employees in resource conservation efforts using the USPS-developed *Green Initiative Tracking Tool* (GITT) to capture key sustainability performance metrics and plan resource conservation projects at the facility, district, area, and national levels. Sustainability performance data captured in GITT includes facility energy and water use, petroleum consumption, spending on consumable materials, solid waste disposal costs and recycling revenue. These metrics reflect many of the HPSB principles and impact both facility operating costs and GHG emissions.

The Chief Sustainability Officer also issues quarterly *Sustainable Facility Update* newsletters that highlight priority sustainability programs, consolidates sustainability performance metrics, and shares this information with field executives. Extensive online sustainability, energy and environmental compliance tools and initiatives continue to evolve to meet unique USPS workplace and employee needs. Examples include:

- Environmental Tool Kit (ETK) for environmental compliance. ETK ensures the Postal Service remains in compliance with environmental regulations on Federal, State and local levels. It is a robust environmental management system and specifically addresses compliance in the areas of air quality, hazardous materials and waste, pesticide management, pollution prevention, petroleum, oils and lubricants, storage tanks, solid waste management, toxic substances, and water quality. The system monitors Postal environmental activities, houses compliance legal documents and tracks expiration dates of environmental permits/registrations.
- Recycling guides. On our Sustainability/Recycling web page, standard op SOPs, written instructions, policy documents and training videos to show employees how to consolidate paper, cardboard and plastic to backhaul from smaller post offices to recycling hubs, and how to use recycling equipment (i.e., dumpers and compactors) to prepare recyclables for pickup by recycling companies.
- Reducing landfill costs. Diverting solid waste from landfills to recycling reduces the amount of waste going to landfills. As solid waste is reduced, the number of trash pickups per week and/or the size of the trash container is reduced, thereby reducing landfill disposal costs.
- Pollution prevention. Includes all the activities that we do to keep pollutants out of the air, soil and water. This includes proper management of vehicle washing to avoid wash water going into storm drains, elimination of the use of products containing hazardous materials, effective spill prevention protocols, and efficient management of transportation, among other things.
- Over 50 low/no cost sustainability and waste reduction projects that can be implemented at local postal facilities.
- Climate resiliency tool.

6. WASTE MANAGEMENT AND DIVERSION

FY 2018 Non-hazardous Waste Management and Diversion:

560.4 thousand metric tons of non-hazardous solid waste generated*

48.3% sent to treatment and disposal facilities

*not including construction and demolition waste

Implementation Status

As part of our USPS Pollution Prevention policy, which has been in place since 1995, the Postal Service embraces the "reduce, reuse, recycle" mantra as a key business strategy. The prevention efforts in our waste management program focus on "source reduction," which includes our work with the mailing industry as related to address management standards. These standards help reduce the amount of undeliverable mail entering the postal system by actively updating change of addresses.

The majority of USPS non-hazardous recyclable solid waste material consists of undeliverable marketing mail, cardboard and plastics. USPS has invested in recycling capital equipment infrastructure at more than 150 mail processing and distribution centers known as "recycling hubs" where these recyclables are consolidated. In FY 2018, recycling infrastructure improvements were made to an additional 24 hub sites and work continues with our recycling capital equipment deployments at dozens of "recycling hubs" nationwide.

With the support of postal employees, USPS recycled over 250,000 tons of material in 2018 and achieved a 51.7 percent diversion rate, just above our goal to divert 50 percent of solid waste from landfills to recycling. Most USPS non-hazardous recyclables are comprised of mixed paper, cardboard and plastic.

Priority Strategies and Planned Actions

USPS will continue to use the following initiatives in FY 2019 and beyond to further our efforts to reduce waste at the source and to divert at least 50 percent of the remaining solid waste from landfills:

- Recycle capital equipment investments and infrastructure development to continuously improve facility recycling participation.
- Continue agency-wide participation in the EPA WasteWise and Federal Green Challenge Programs (FGC). EPA WasteWise encourages organizations and businesses to achieve sustainability in their practices and reduce select industrial wastes. FGC is a national effort under the EPA's Sustainable Materials Management Program. We submit goals for each of our regional areas and headquarters and update these annually for recycling, waste diversion and green purchasing.
- Employee Outreach and Engagement. Continue deploying the USPS Green Survey to postal employees every two years. The survey is designed to capture feedback from employees on how to conserve our limited resources, expand adoption of sustainable business practices in the Postal Service, and invite volunteers to step up as champions at their facilities to promote green projects.
- Safer and Healthier Workplace: Continue to improve the availability of environmentally preferable products in our supply chain and embrace Pollution Prevention opportunities in our facilities. This will result in increasing the number of qualified environmentally preferable products (EPP) contracts and eBuy2 purchase catalog products available.
- Continue support of Lean Green Teams and other groups associated with continuous improvement that are implementing Lean Six Sigma projects and events aimed at reducing waste in our operations.

Implementation Summary: Fleet Management

1. TRANSPORTATION / FLEET MANAGEMENT

FY 2018 Petroleum Reduction Progress (Gal):

28% increase in petroleum fuel since 2005

3.2% increase in petroleum fuel since FY17

FY 2019 - FY 2020 Plan:

0% reduction in FY19 from FY18

0% reduction in FY20 from FY19

Implementation Status

The Postal Service has more than 232,602 vehicles, one of the largest civilian fleets in the world. A large portion of our fleet is made up of older delivery vehicles, up to thirty years old. Our vehicle use is dictated by our mission and universal agreement that requires mail delivery six days a week. We have also began increased service to include Sunday delivery in some areas. Further, we partner with other delivery services, such as FedEx and Amazon, and the mail mix continues to include more packages. USPS fleet fuel usage are driven by market demand creating challenges that are unique to the Postal Service. Our strategies focus on improving data associated with our fleet and continuing to add more efficient vehicles to our fleet as they are replaced at the end of useful life. We have also worked to increase route efficiency.

USPS continues to deploy tools to more accurately generate daily processing and operational plans that predict transportation capacity needs. We also prioritize capital investments on key infrastructure upgrades that best achieve improvements in service, processing capacity, labor efficiencies, and maintenance costs.

USPS strategy is to ensure only the most accurate Asset Level Data (ALD) is recorded and reported. Weekly meetings are held to discuss ALD status and data quality improvements. USPS will continue providing vehicle data to corporate systems, including FleetDash, the USPS official Fleet Management Information System (FMIS), and Solution for Enterprise Asset Management (SEAM). SEAM is an Oracle web-based application designed to improve inventory tracking and visibility, implement forecasting and automatic replenishment capabilities, and standardize asset tracking and maintenance/repair functions.

Included in our fleet are nearly 48,000 alternative-fuel-capable vehicles, most of which are equipped to use ethanol. There are electric, compressed natural gas and liquid propane gas vehicles as well. In FY 2018, 100 electric hybrid and 100 hydraulic hybrid two-ton vehicles were purchased. These vehicles replaced 30 two-ton electric vehicles in New York City and were assigned to locations in California.

Priority Strategies and Planned Actions

USPS delivery operations rely on efficient and effective vehicle operations. USPS is focusing on initiatives that use new technologies that will accommodate a diversified mail mix, improve safety and service, reduce emissions, and produce operational savings. USPS will continue to conduct testing of prototype vehicles to allow us to make informed decisions about the future of our vehicle fleet. New next-generation vehicles will have improved ergonomics, safety features, fuel efficiency and design flexibility.

The Postal Service is also testing three Nissan Leaf and three Chevrolet Bolt electric vehicles for mail delivery in Northern Virginia, as well as 15 2-ton intermediate delivery vehicles in California. Through testing, we can collect data on maintenance, performance, battery condition, and employee feedback. Early results show reductions in vehicle emissions and fuel costs. We will continue to test new technologies as they appear in the marketplace.

Our research and development efforts with autonomous cars, trucks, and vans suggest the technology increases safety, reduces fuel costs, and improves worker productivity. By integrating innovative, autonomous vehicle technology into our fleet, improvements in delivery efficiency and driver safety are expected. Applying it to long distance mail transportation operations can improve efficiency, schedule reliability, and safety, as well as reducing fuel consumption. The Postal Service will continue research, development, and testing of new, innovative, autonomous technologies to apply them where they make the best economic sense for the business. For example, in FY 2019 the Postal Service completed a pilot program of a delivery truck driving autonomously 22 hours one-way without incident from Phoenix, AZ, to Dallas, TX.

The Postal Service released a Request for Information (RFI) to the industry in February 2019 seeking information from autonomous vehicle developers interested in the collection and distribution of geodetic/spatial data to improve autonomous vehicle performance. The RFI responses are currently under review, and cooperation with industry participants will enable the Postal Service to provide detailed accurate data for autonomous vehicles to operate reliably and safely.

Based on the level of interest from the industry, the Postal Service may identify candidates for a future solicitation to collect and distribute geospatial data that will enhance the capabilities of autonomous vehicle technology and speed the adoption and safety of autonomous vehicles. The program will focus on developing solutions for autonomous vehicle data collection and related distribution methods as well as developing universal/standard capabilities, data transfer protocols, and best practices. This new technology will allow greater efficiency by reducing idle time at each delivery stop reducing the total drive time for delivering the mail.

Although the Postal Service continues to make its delivery routes more efficient, petroleum usage has increased since 2005. This is partially due to increases in the number of delivery points — on average 1 million new delivery points are added every year — and an aging fleet of delivery vehicles. In 2018, we delivered to 158 million delivery points.

The Postal Service is in the process of soliciting for the replacement of its right-hand drive carrier route vehicles. The total cost of ownership for various power trains and alternative fuel solutions will be considered. Prototype vehicles were tested in the areas of durability, fuel economy and emissions, component, simulated and actual postal delivery, break-in, cold weather and maintenance evaluation. The testing is being evaluated in preparation for the solicitation release.

Implementation Summary: Cross-Cutting Operations

2. SUSTAINABLE ACQUISITION / PROCUREMENT

FY 2018 Sustainable Acquisition Progress:

$440 million in environmentally preferable purchasing

USPS does not use (or have access to) the Federal Procurement Database System (FPDS), which is the primary information source for most reporting from other federal agencies under this objective, however USPS is committed to being a leader in the area of sustainable acquisition.

Implementation Status

While USPS has been proactively researching, buying and using environmentally preferable products (EPP) for the past two-and-a-half decades, its current national Green Purchasing Program (aka Sustainable Acquisition) was not formalized until 2008 in its first national Green Purchasing Plan. Since inception of the 2008 Green Purchasing Program, USPS established its own measurement and monitoring system. The system measures the actual confirmed purchases of EPP acquired by the Postal Service. The process applies to USPS suppliers with contracts valued at $500,000 or greater. Suppliers with lower value contracts are encouraged to report on a voluntary basis.

The sustainable acquisition goals of USPS are to:

- Increase the number of EPPs available on our national online ordering system
- Decrease the number of non-EPPs available online
- Increase the use and effectiveness of USPS sustainability clauses in our procurement actions

UPSP is committed to being a leader when it comes to product and service responsibility. We encourage and require our key national suppliers to provide EPP for purchase using our online catalog eBuy2 ordering system. Each year we have a goal to continuously increase the number of EPP items offered and purchased. In FY 2018, more than half of our supply contract spending was on EPPs — almost $440 million — which is a 9.5 percent increase over 2017. Additionally, we expanded our EPP purchases from 41 key supply contracts to 56 over the course of FY 2018. The number of supply contracts varies each year and at times contract requirements are consolidated into fewer large contracts, so the number of contracts is not accurate indicator of progress. Actual purchases of EPPs is our most accurate indicator of progress.

A summary of USPS EPP purchases in FY 2018 is provided as follows:

- Recycled content products: $390,673,945
- Energy efficient products: $25,248,166
- Reputable ecolabel certified products: $21,616,546
- USDA BioPreferred products: $937,330
- Water efficient products: $849,477

USPS provides environmentally preferred Priority Mail® and Priority Mail Express® boxes and envelopes to our customers at no charge. All of these shipping supplies contain post-consumer recycled content and are 100 percent recyclable. Postal expedited mailing paper products are also made with either Forest Stewardship Council or Sustainable Forestry Initiative certified materials. We will continue our commitment to responsible products and services by using a suite of Postal Service developed tools and resources, while ensuring the best value for sustainable product availability for our customers.

Priority Strategies and Planned Actions

USPS will continue to promote the integration of sustainability into its supply chain using the following priority strategies:

- Increase the use of USPS sustainability contract clauses in its contracts;
- Add a sustainability screening question in our Central Acquisition Management System (CAMS) to drive awareness and use of the appropriate clauses;
- Replace USPS eBuy2 system with a new, more user-friendly and technologically advanced eBuy+ system by the end of February 2020;
- Increase the availability and visibility of environmentally preferred products our eBuy2 and eBuy+ online ordering systems;
- Maintain and improve supplier EPP reporting and tracking systems;
- Develop an online supplier EPP reporting module in our Supply Chain Relationship Management System (SCRMS).

The new eBuy+ system is more flexible and provides convenient options that will allow Catalog Suppliers to easily build and update their catalogs. Suppliers will be able to develop their catalogs in the new Supplier portal or provide punch out catalogs directly from their webpage. This ease of use will allow us to work with more suppliers to display EPP icons on their catalogs. In the past, suppliers had to develop custom catalogs to display EPP icons.

3. ELECTRONICS STEWARDSHIP

FY 2018 Electronics Stewardship Progress:

100% of newly purchased or leased equipment met energy efficiency requirements
100% of equipment with power management enabled*
100% of electronic equipment disposed using environmentally sound methods

**excluding exempted equipment*

Implementation Status

USPS enables and maintains power management on all eligible electronics, and measures and implements automatic duplexing and other print management features on all eligible agency computers and imaging equipment.

USPS also ensures environmentally sound disposition of all agency excess and surplus electronics, consistent with Federal policies on recycling and disposal of electronic assets.

USPS embraces green principles at our Information Technology centers to help save money on maintenance while improving energy efficiency, reducing waste and saving natural resources. USPS saved more than $750,000 through updates to cooling systems and restructuring of maintenance services at facilities in Raleigh, NC; San Mateo, CA; and Eagan, MN.

USPS also supports government-wide recycling of small electonronics through our USPS BlueEarth® Recycling Program.

Priority Strategies and Planned Actions

Acquisition

As part of the USPS Sustainable Purchasing Clauses, Clause 7 ‑13, *Energy Efficiency in Energy Consuming Products*, is to be included in solicitations and contracts valued at over $500,000 for products and services when the purchase includes or could include the use of energy efficient products. Products and services must be cost-effective and reasonably available to meet the functional business requirements of the Postal Service. For the purposes of Postal

Service contracting, "Energy-Efficient Product" means a product that contains energy-efficient attributes and has earned one or more of the following:

- U.S. Environmental Protection Agency (EPA) Energy Star Certification;
- U.S. Department of Energy Federal Energy Management Program designation (FEMP Designation) for being in the upper 25 percent of its class in energy efficiency; and/or
- National Electric Manufacturers Association (NEMA) Premium Efficient program certification.

In regards to computer equipment, USPS IT Management utilizes active power management on all desktop and worktop stations. Laptop power management energy saving defaults take effect when portable computer equipment is connected to the Postal Service IT network. All USPS printers, desktop, workstation, laptop and notebook computers sourced under our national supplier contracts are EPA Energy Star compliant.

End of Life

Topeka Materials Distribution Center (MDC)

USPS responsibly disposes of electronics via its electronics recycling program managed by the Topeka, KS, MDC. Using our vast network of transportation vehicles, excessed electronic equipment is hauled to and consolidated at the Topeka facility where it is remarketed, resold or recycled. This includes electronics from the following categories:

- Delivery and industrial equipment
- Operational equipment
- Retail and vending equipment
- Computer equipment
- Office equipment
- Building maintenance equipment

Electronic equipment that is recycled is handled by a responsible R2 certified recycler under postal contract terms and conditions.

USPS BlueEarth® Federal Recycling Program

When it comes to smaller electronics and supplies, such as inkjet and toner cartridges, USPS utilizes its previously noted BlueEarth Federal Recycling Program. Under this program small electronics and toner cartridges are returned to a vetted recycler using the U.S. Mail. This program has been in place for several years and is available to all federal agencies wishing to participate. This partnership with other federal agencies directly aligns with the intent of Executive Order 13834 and supports the waste reduction objectives of the U.S. government by providing a secure way to recycle empty printer cartridges and small electronics free of charge. Additional information about USPS BlueEarth programs can be found at https://about.usps.com/what/corporate-social-responsibility/sustainability/greening-business/.

Managed Print Services (MPS) promotes recycling of all toner cartridges through the BlueEarth Federal Recycling Program, which aims to maximize the empty ink and toner cartridge capture rate to increase landfill avoidance. Our print vendor also provides for the return of unused, and unneeded USPS consumables.

MPS continues to implement green settings for all printing where we can. We measure and implement automatic duplexing, mono and EconoMode features on all eligible agency computers and imaging equipment. All print hardware is purchased through the MPS contract is Electronic Product Environmental Assessment Tool (EPEAT) rated at silver or gold and comes with Energy Star certification.

MPS also supports green IT and other sustainability initiatives with environmentally preferred products offered on the USPS eBuy2 purchasing catalog.

4. GREENHOUSE GAS EMISSIONS

FY 2018 Scope 1 & 2 Greenhouse Gas (GHG) Emissions:
22.1% reduction from FY 2008
1.3% reduction from FY 2017

Implementation Status

USPS operations and processes emit GHGs, which contribute to changes in the earth's atmosphere. As sustainability leaders, we are pursuing ambitious goals to conserve natural resources and reduce our GHG emissions. We conduct annual GHG inventories and report our results to the Federal government, the International Postal Corporation and The Climate Registry. These reports help us maintain transparency while measuring progress toward our goals and developing emission reduction strategies. Each year, we measure our progress against established reduction goals:

- 25% reduction in Scope 1 and Scope 2 emission by 2025 from 2008
- 30% reduction in Scope 3 emissions by 2025 from 2008

Priority Strategies and Planned Actions

Our largest source of Scope 1 & 2 emissions are from facility energy consumption followed closely by mobile vehicles and equipment. Our strategies for reducing Scope 1 & 2 emissions are focusing on improving operational efficiency of our facilities and fleet.

We also measure and track Scope 3 emissions, which make up almost two-thirds of our total emissions. Included in Scope 3 emissions are those associated with contract transportation to better understand our supply chain emissions. The Postal Service's strategy to reduce petroleum consumption for highway suppliers is twofold; first, to collaborate with highway suppliers to convert diesel trucks to alternative fuel, and second, to reduce mileage and lower fuel usage by utilizing technology to reduce redundant transportation.

USPS has been working with highway suppliers to convert diesel equipment to alternative fuel since 2013 to reduce scope 3 emissions. The highway contract fleet has 331 alternative fuel trucks operating 35 million annual miles using 6.3 million gallons of alternative fuel. The Postal Service learned that one of the biggest challenges with converting tractors from diesel to natural gas is that natural gas tractors are roughly 40 percent more expensive than diesel tractors. Given its financial state, the Postal Service cannot afford to pay a premium price for natural gas tractors. As such, we encouraged our suppliers to proactively work with state and local municipalities to identify grant money to offset the higher cost of the natural gas equipment. The grant money allowed many of our highway suppliers to convert their trucks to natural gas at a price similar to diesel equipment, mitigating an increase in cost to the Postal Service for the conversions.

In FY 2017, USPS invested in a Transportation Management System (TMS), and implemented a new demand management initiative called Dynamic Routing Optimization (DRO). The DRO initiative utilizes the TMS optimization software solution to optimize local distribution networks using forecasted mail volumes at processing and distribution centers across the United States. The goals of DRO are to reduce excess truck capacity in the network and decrease the overall miles operated by surface transportation suppliers, thus reducing the overall spend and fuel consumption compared to existing contracts. The DRO initiative is the Postal Service's largest opportunity to reduce fuel consumption through demand management.

USPS developed a Green Initiative Tracking Tool (GITT) that captures key sustainability performance metrics at the facility, district, area, and national levels. These include facility energy and water use, petroleum consumption, consumable materials, solid waste disposal costs and recycling revenue. Most of these performance metrics affect

GHG emissions, directly or indirectly. Our established Green Team members and registered facility managers can monitor progress using the GITT to add transparency and engage employees in the process. The GITT is available to any USPS employee who requests access to it. We also issue a quarterly newsletter to increase awareness of sustainability topics that engage our field offices and employee stakeholders. Online sustainability training tailored to the USPS workplace is available to all employees who have computer access. Examples of training topics include Green Team Orientation, Lifecycle Analysis, National Recycling Operation Deployment, and Green IT.

United States Postal Service
2019 Sustainability Report and Implementation Plan

Agency Priorities and Highlights

1. AGENCY IDENTIFIED PRIORITIES

USPS developed a Resiliency Tool that will allow project teams to quickly respond to Decision Analysis Report (DAR) reviews of building projects or leases of $5 million and above to determine if they are located in a flood plain or coastal zone. The Resiliency Tool contains FEMA and NOAA data mappings to overlap all USPS facilities. In addition, the Resiliency Tool allows users to obtain data on number of employees, vehicles, capital and mail processing equipment, revenue and expenses for all facilities.

2. NOTABLE PROJECTS AND HIGHLIGHTS

USPS BlueEarth®

USPS BlueEarth is a branded suite of customer services and product initiatives that provide sustainability solutions and innovations to our customers, including government agencies and businesses.

USPS BlueEarth Carbon Accounting

This service enables business customers to measure and manage carbon impacts across their supply chains. This proprietary service follows the most widely accepted accounting methods to calculate shipping or mailing items' greenhouse gas emissions based on their characteristics, such as product type, size, weight, processing, distribution and transportation. This no-fee service provides reports that detail GHG emissions associated with the Postal Service's entire delivery process.

Carbonfund.org Foundation has determined the USPS BlueEarth Carbon Accounting Statement is consistent with carbon neutrality criteria for eligibility in the Carbonfund.org Carbon Free Shipping program. USPS business customers interested in offsetting emissions can purchase carbon credits using official calculation results from the USPS BlueEarth Carbon Accounting Statement.

USPS BlueEarth Federal Recycling Programs

We help make it easy for federal agencies and their employees to properly dispose of items like empty ink cartridges and unwanted small electronics. It's easy to manage, free to federal agencies, supplements existing sustainability programs, and measurable results are available through online reports.

Federal employees can also help reduce their impact on the environment by recycling their unwanted personal property that fit the program criteria.

USPS BlueEarth Secure Destruction

This service is a cost-effective, secure and convenient way to manage mail containing personal protected information. It's designed specifically for business mailers who use the Intelligent Mail® barcode. This technology enables the Postal Service to identify, intercept and securely shred letter-size pieces of undeliverable-as-addressed First-Class Mail with personal protected information that would otherwise be returned to the sender. All shredded secure destruction mail is then recycled as part of our National Recycling Operation.

This program has resulted in $62.4 million in cost savings, more than 7,200 tons of greenhouse gas emissions avoided, and more than 4,600 tons of paper recycled. For FY 2020, it has resulted in $22.3 million in cost savings, more than 2,500 tons of greenhouse gas emissions avoided, more than 1,600 tons of paper recycled, and 58.6 million mailpieces destroyed. For the third straight year, we have exceed our annual mailpiece volume target.

More information of USPS BlueEarth programs can be found at: https://about.usps.com/what/corporate-social-responsibility/sustainability/greening-business/

USPS Green Survey

The Green Survey of USPS employees is conducted every two years. Questions included in the survey cover a broad array of sustainability activities:

- Green purchasing (recycled paper and environmentally preferable products);
- Recycling activities at their facilities;
- Energy saving practices such as powering down computers and turning off lights at the end of their work day;
- Commuting methods such as carpooling to work, biking, walking and using public transportation;
- Environmental compliance risk prevention knowledge (specifically universal waste management, hazardous/universal waste labeling, environmental training, storm water management, and storage tank management);
- Conservation of energy, fuel and water;
- Awareness of climate change preparation (specifically extreme heat, flooding and wind damage from storms);
- Participation in local/community conservation activities;
- Engagement of customers in sustainable business practices).

The purpose of the survey is to capture feedback on nationwide postal engagement in sustainable work practices and solicit ideas to expand and optimize these; increase awareness among employees through specific subject questions and with references to information and help provided on our sustainability web pages; expand adoption of sustainable business practices in the Postal Service; and invite volunteers to promote green projects and join facility lean green teams.

The most recent survey was conducted in 2017 and distributed to 40,000 non-bargaining employees. Of which, 6,776 completed the survey. Included in the results, 375 persons expressed interest in participating in green initiatives and shared their email address for follow-up information, and more than 1,394 suggestions were submitted for making the Postal Service a more sustainable organization. Additonal results include:

- 81 percent of respondents recycle at work, including 67 percent who recycle ink and toner cartridges. Less than 1 percent said recycling isn't important.
- 91 percent of respondents turn off lights when they're the last person to leave their office.
- 67 percent of respondents consider the environment when making purchasing decisions.
- Nearly 34 percent of respondents felt the adoption of green practices was not valued in their workplaces, while only one-third know who to contact for environmental advice. Also, 93 percent of respondents drive to work, while only 4 percent use mass transit, carpool or walk.

Quarterly Sustainable Facility Update Newsletter

The Chief Sustainability Officer issues a quarterly Sustainable Facility Update newsletter that highlights priority sustainability programs, consolidates sustainability performance metrics, and shares this information with field executives.

National Recycling Operation

The Postal Service generates large quantities of recyclables consisting primarily of paper (undeliverable mail and office paper), cardboard (old corrugated cardboard - OCC) and clear plastic wrap.

The National Recycling Operation's (NRO) mission includes facilitating:

- The establishment of recycling Hub Facilities (processing centers) to facilitate Delivery / Retail Unit backhaul recycling participation and operations. Backhaul recycling uses existing transportation and empty mail transport equipment (MTE) to return recyclables generated at Delivery / Retail Units to their servicing Hub Facility.
- Continuous improvement of paper (undeliverable mail and office paper), cardboard (OCC), and clear plastic wrap recycling operations at Processing Facilities and Delivery / Retail Units.

In fiscal year 2018 , USPS diverted more than 51 percent of our waste from landfills. Additionally in fiscal 2018, we recycled more than 250,000 tons of paper, cardboard, plastic and other recyclable material, reducing landfill costs by $5 million and generating $8 million in recycling revenue

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