

**You see diverse faces on our
commemorative stamps.**



You also see them in our business network.

Supplier Diversity Corporate Plan

Fiscal Years 2007 - 2010

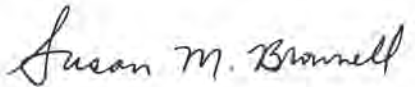
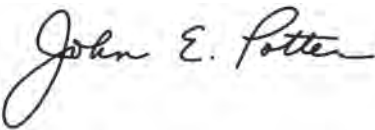
Transformation continues at the United States Postal Service. The business environment in which the Postal Service competes is increasingly competitive. If the Postal Service is going to succeed, then it must take full advantage of all resources available. The Postal Service, like any service provider, depends on its suppliers — they are a key resource helping the Postal Service to meet customer expectations. The Postal Service continues to perform broad market research and analysis of the American supplier community to identify and select the best suppliers. The Postal Service maintains a tight focus on core products to ensure that universal, affordable postal services continue to have the power to communicate, reach key audiences, and help bind America together. To achieve this, the Postal Service relies heavily on its small, minority-owned, and women-owned suppliers that are agile, responsive, and effective. These suppliers make up the majority of firms in the United States, and drive growth in the American economy.

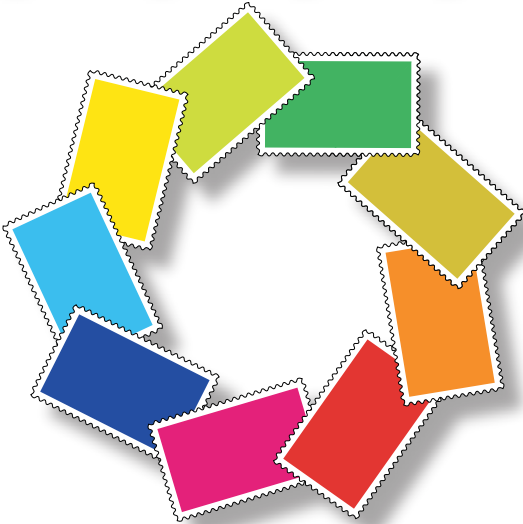
Within the Postal Service, all employees who generate a requirement, approve a purchase, commit postal funds, identify or select suppliers, or manage a supplier relationship are responsible for establishing and maintaining a strong, competitive supply base.

The Postal Service is committed to providing opportunities to small, minority-owned, and women-owned businesses and views Supplier Diversity as an important business imperative. We are focused on continuous improvement in this as in all areas of business. We must push business effectiveness and operational efficiency to the limit. Our goal is to make the Postal Service a world class leader in Supplier Diversity. This Plan provides a clear path for reaching that goal.

John E. Potter
Chief Executive Officer and
Postmaster General

Susan M. Brownell
Vice President
Supply Management





Supplier Relations

The Postal Service Supply Chain Management activities operate under eight Supplying Principles that represent the strategic elements that guide Postal Service buying and material management activities. Each principle is central to obtaining the financial, operational, and public policy goals outlined in the Postal Service's Transformation Plan.

The Postal Service's Supplier Relations Principle aims to establish and maintain a strong, competitive supplier base that reflects the diversity of the American Supplier community. The Postal Service is committed to having a world-class supply base. Postal Service supplying professionals will seek out methods to optimize its supplier base in line with the specific characteristics of the market, the good or service being supplied, and the goals of the Postal Service.

Supplier Diversity

Supplier diversity is the proactive business process that seeks to provide suppliers with access to purchasing and business opportunities. Supplier diversity is defined by:

- Supply Management (SM) policies and objectives;
- The purchasing process; and
- Continuous improvement and monitoring.

Supplier diversity objectives include:

- Process improvements that promote opportunities for all suppliers to provide value-added products and services;
- Continued broad market research and analysis of the supplier community to identify and select the best suppliers;
- Awareness and information sharing.

Laws, regulations, and the Postal Service's Supplying Principles and Practices help shape supplier diversity objectives which are aligned with Postal Service and SM objectives.

The Supplier Diversity Corporate Plan is developed to ensure a continued focus on improving our supplier relationships with small, minority-owned and women-owned businesses (SMWOB). The Plan outlines a variety of discretionary activities that align with processes and procedures identified in the Postal Service's Supplying Principles and Practices.

MANAGEMENT INVOLVEMENT

To ensure a continuous focus, officers and executives representing broad functional areas are responsible for ensuring a strong, competitive supply base.

Portfolio managers meet regularly to review supply base considerations and progress in implementing process improvements.

The Vice President, Supply Management, and senior managers meet quarterly to review supply chain strategies to ensure the Postal Service is taking full advantage of the capabilities, competitive pricing, new processes and products, and innovations offered by SMWOBs.

The Supplier Diversity team in SM carries out continual assessments of supplier diversity business process applications and provides related updates and briefings on best practices. The team also serves as liaison to the SMWOB community.



COMMUNICATION/OUTREACH

The Postal Service works closely with trade and industry associations, government agencies, business development groups and purchasing organizations to exchange information on methods, initiatives, and processes to identify sources of supply. This enables supplying professionals, purchase card users, and other Postal Service personnel to effectively identify potential suppliers to meet Postal Service needs.



When appropriate, the Postal Service will:

- Conduct supplier forums to share information on Postal Service corporate business objectives.
- Conduct and participate in surveys and benchmarking studies for continuous improvement of Supplier Diversity processes.
- Maintain Intranet and Internet sites with Supplier Diversity policy, procedures, points of contact, and other resource information for various sourcing teams, buyers, clients and suppliers.
- Attend and participate in business opportunity and trade fairs promoting SMWOBs.
- Continue to foster the development of mutually beneficial business relationships between internal business partners and the supplier community.
- Publicize purchasing and business opportunities in print or electronic media when it will enhance competition.
- Provide internal and external stakeholders with timely updates on the positive contributions of Supplier Diversity processes.
- Make available a formal registration process for potential suppliers.

SOURCING CONSIDERATIONS

The Postal Service uses a series of sourcing processes to capture supply data and knowledge to build a dynamic supplier base, thereby ensuring continuous improvement of the entire supply chain.

Each category team develops, implements, and maintains a written commodity strategy for each major spend category for which the team is responsible. A commodity strategy ensures the use of systematic processes to achieve supply chain management targets that fully support business objectives.

Strategies are developed by a thorough understanding of the external supplier environment and internal business partner requirements. The team applies supply chain management business practices to both strategic sourcing and individual purchases and examines demand trends, the marketplace, and the supplier community to determine how to achieve best value.

The purchase team must specifically consider whether any considered sourcing strategy will impact the Postal Service's commitment to establish a strong, competitive supplier base by putting SMWOs at a competitive disadvantage. Guided by the Principle of 'Best Value', the team will gather and analyze the pertinent data supporting the sourcing strategy and make a determination to justify the strategy as part of the purchase planning process.

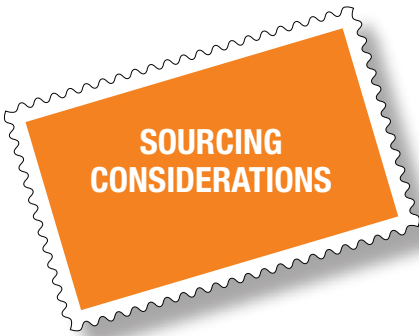
Market Surveillance — We will continuously assess the marketplace for drivers of market segments, industry trends, impact of new technology, competitive dynamics, supplier

characteristics, and suppliers (national or regional) in a market.

When appropriate, the Postal Service will:

- Use the latest in print and electronic resources (industry reports, supply periodicals, databases, etc.) to identify leading edge suppliers in an industry.
- Use supplier and industry resources, such as trade associations, to obtain data on the structure of the industry, supplier value-chain analysis, supplier economics and total cost of ownership (TCO) of items and services.
- Analyze the sourcing history of an item or service to determine the level of competition, prices, and performance results of existing suppliers to determine if a new supplier would better meet Postal Service needs.
- Investigate to determine what goods or services are available to satisfy the postal need or whether products or requirements can be modified or customized.
- Attend and host industry briefings to identify potential suppliers to meet Postal Service needs.
- Participate in business opportunity and trade fairs to research commercially available products and services, pricing and potential suppliers.
- Evaluate products that appear to be the same across suppliers (beyond branding) to determine real differences in the product or services and identify the supplier with the most competitive advantage.

- Obtain source lists of proven suppliers from trade and industry associations, government agencies, business development groups, and purchasing organizations.
- Conduct Industry-specific research to identify diverse sources to be included in supplier development initiatives.



Publicizing Opportunities—When it is determined that doing so will enhance competition, we will announce potential business opportunities in the most appropriate and effective media to identify new sources that will improve the quality of the supply base.

When appropriate, the Postal Service will:

- Issue Requests for Information (RFI) to obtain general information on the market, products, services, or suppliers.
- Issue presolicitation notices (also called “sources sought” notices) to identify suppliers based on the business and competitive needs of the Postal Service.

- Publicize opportunities for suppliers to be prequalified for commercially available goods or services purchased routinely, whether for an individual purchase or for a series of purchases.
- Announce contract awards, competitive or noncompetitive, having significant subcontracting opportunities to promote competition in subcontracting.

Purchase Card Buys—Purchase card policies support the local business community and encourage economic development of all diverse groups. When operational needs cannot be satisfied through eBay or other electronic ordering systems, area contracts and ordering agreements, which generally represent our lowest total cost of acquiring equipment, supplies and services, the purchase card serves as the primary means of buying and paying. Cardholders are encouraged to seek out and use SMWOBs when making credit card buys to meet their day-to-day operational needs.

Cardholders must strive to obtain the best value for the Postal Service on each purchase. Best value is obtained by evaluating the price, quality, and any other factors necessary to meet the need. Obtaining best value is the objective of every Postal Service supplying activity and the basis for award of Postal Service contracts.

SUBCONTRACT MANAGEMENT

We promote supplier development and diversity with prime suppliers through our subcontracting policy, which specifically addresses subcontracting with SMWOBs.

When appropriate, the Postal Service will:

- Announce contract awards having significant subcontracting opportunities and provide technical assistance and referrals of SMWOBs to our prime suppliers.
- Negotiate contract-specific subcontracting plans based on market research results (data collected, analyzed and documented) that support effective contract performance.
- Conduct quarterly reviews of reports on subcontracting activity required from each supplier awarded a contract valued at \$500K or more.
- Conduct quarterly reviews of reports against subcontracting plans required from each supplier awarded a contract valued at \$1 million or more.
- Convene meetings of top prime suppliers to ensure adequate understanding of USPS policies and performance expectations in subcontracting.
- Obtain timely and accurate subcontracting reports from all suppliers.
- Periodically sample 5% of supplier reports to identify gaps and implement continuous improvement initiatives.



INNOVATIVE INITIATIVES

The Postal Service relies on the creativity and innovation of the American entrepreneurial community to help meet its business and competitive objectives. The Unsolicited Proposal Program (UPP) provides companies and entrepreneurs the opportunity to submit new technologies or ideas to improve postal operations. An unsolicited proposal is the offer to sell to the Postal Service the rights to ideas, concepts, products, processes or technology. It is considered unsolicited because it is not submitted in response to a solicitation, request for proposal (RFP), or any other Postal Service-initiated solicitation or program. The UPP guidelines are available for review in Publication 131, The Postal Service Unsolicited Proposal Program at: <http://www.usps.com>.

The Postal Service will focus on building an integrated supply chain, from the supplier's supplier to the end customer, in a highly integrated and collaborative manner to maximize the efficiency and effectiveness of the flow of goods, services, and information.

The Postal Service will continue to explore the following innovations:

- Electronic sourcing and combinatorial optimization;
- Strategic Alliances;
- Value analysis and engineering;
- Shared-savings; and
- Other innovative incentive arrangements with suppliers.



INNOVATIVE
INITIATIVES

TRAINING AND DEVELOPMENT

All employees in Supply Management functions will annually participate in 2 hours of training related to supplier diversity.

When appropriate, the Postal Service in collaboration with suppliers, will:

- Conduct roundtable discussions to share information on Postal Service corporate business objectives.
- Work together to develop better proposals.
- Conduct sessions aimed at innovation and improvement.
- Benchmark and leverage their best supply chain practices.



PERFORMANCE MANAGEMENT

All employees that generate a requirement, approve a purchase, commit postal funds, identify or select suppliers, or manage a supplier relationship are responsible for establishing and maintaining a strong, competitive supply base.

Nothing in this Plan requires or permits employees that generate a requirement, approve a purchase, commit postal funds, identify or select suppliers, or manage a supplier relationship to grant preferential treatment to any person on the basis of race or gender.

Performance Indicators — The Postal Service strives for continuous improvement by establishing effort-based indicators in such areas as:

- Sourcing Plans — ensuring that SMWOBs are included in the sourcing process, including consideration for prequalification and subcontracting opportunities.
- Attending and participating in business opportunity and trade fairs promoting SMWOBs.
- Holding advisory and debriefing sessions with SMWOBs.
- Participating in and sponsoring forums that provide suppliers an opportunity to obtain additional guidance on processes within specific commodity areas.
- Expanding the types and numbers of source files and related resources used to identify qualified suppliers.
- Developing, implementing, and maintaining purchasing plans and commodity strategies that include SMWOBs.
- Understanding the current diversity of each category-specific supplier base and taking specific steps to ensure the continued effectiveness of that base.
- Benchmarking results with other public and private sector organizations.



TRACKING PROGRESS

The Postal Service strives for continuous improvement by reviewing bi-annually the effort-based indicators and year-end results. The Postal Service will periodically reposition supply strategies to adopt leading practices identified in the supply chain management process.



Goals

The Supplier Diversity Corporate Plan expresses the Postal Service's commitment to the SMWOB community. Although exempt from mandatory compliance for participation with the Small Business Act, the Postal Service will establish annual goals that represents the maximum practicable opportunity for SMWOBs to participate in the performance of contracts to further its business and competitive interests.

The goal for each SMWOB category is expressed as a percentage of the estimated total contract values for the fiscal year. Starting with fiscal year 2007, and each subsequent fiscal year through 2010, the goal will be assessed on the following factors:

- Historical achievements in each business category;
- Current Commodity Strategies (A holistic view of sourcing plans for products and services to obtain the financial, operational, and public policy goals outlined in the Postal Service's Transformation Plan); and
- Estimated total dollar values of all prime contracts to be awarded in the fiscal year.

NOTE: Fiscal year goals are available under 'Doing Business With Us' at: www.usps.com/purchasing/

Data Collection and Reporting

Suppliers are classified at the prime and subcontracting (2nd-tier) levels within a socio-economic category. The Postal Service will continue to collect and report results through tracking the following:

- Total number of transactions (contract awards and modifications);
- Total dollar amount of transactions;
- Number of transactions with SMWOBs;
- Prime Supplier SMWOB commitments and spend; and
- Subcontracting (2nd-tier) spend with SMWOBs.

Purchase Card transactions are not counted toward goal achievements. However, data regarding these transactions help provide a comprehensive view on total Postal Service spend with SMWOBs. As use of the Purchase Card in overall supply chain business strategies increase, the Postal Service will re-assess the factors in setting future goals.

RECOGNITION

It is in the Postal Service's best interests to realize the importance of recognizing and rewarding both Postal personnel and supplier contributions and accomplishments. Rewarding Postal personnel and suppliers for outstanding performance motivates further quality and encourages everyone to strive for excellence in their products, service levels, and operations. Recognizing and rewarding suppliers also fosters strong and productive supplier relationships.

The Postal Service will celebrate successes by:

- Publishing supplier successes on a periodic basis;
- Recognizing and publicizing outstanding supply chain management performance and best practice successes by both clients and suppliers;
- Recognizing extraordinary individual performance; and
- Recognizing annually substantive team or category performance using current Postal Service recognition processes.

The Postal Service is committed to Supplier Diversity as an important business imperative. The Supplier Diversity Corporate Plan, a comprehensive overview of a variety of discretionary activities, positions the Postal Service to establish and maintain a strong competitive supply base.

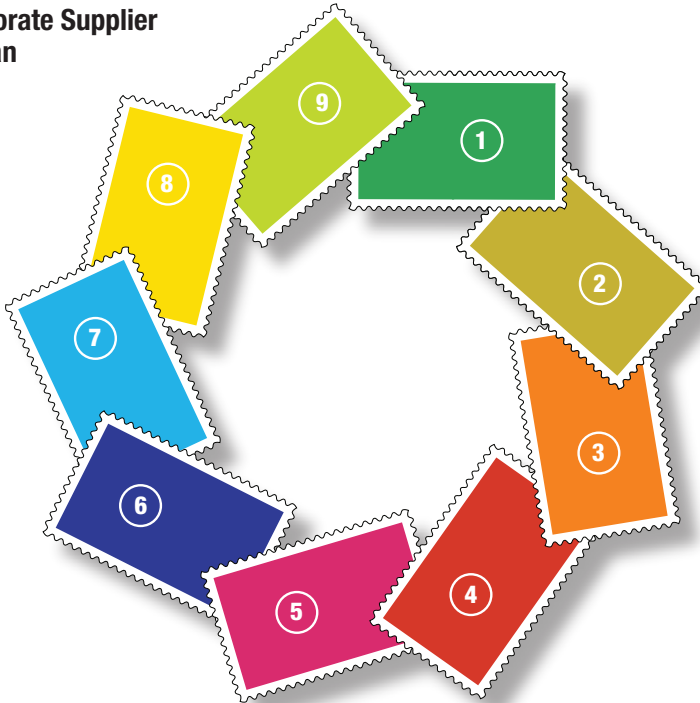


Supplier Relations Principle

“Suppliers are essential and valued business partners of the Postal Service, and the Postal Service is committed to treating its suppliers in an objective, fair and business-like manner. Relations between the Postal Service and its

suppliers will be strong, mutually beneficial, and based upon sound business practices, respect, and trust with both parties working toward a common goal.” (USPS Supplying Principles and Practices, May 1, 2006).

3-Year Corporate Supplier Diversity Plan



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|----------------------------------|-----------------------------------|
| 1 Management Involvement | 6 Training and Development |
| 2 Communication/Outreach | 7 Performance Management |
| 3 Sourcing Considerations | 8 Tracking Progress |
| 4 Subcontract Management | 9 Recognition |
| 5 Innovative Initiatives | |

Note: For additional information on the US Postal Service buying process see 'Doing business with us' @ www.usps.com

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