2023
Annual Report
Canada Post Corporation

For the period ended December 31, 2023

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President's message

President's message

Canada Post is built to serve all, acting as a connective thread that helps bind our country and our economy. It's a critical national infrastructure with a reach that touches all corners of the country and every community. As an essential service that's publicly owned, but not publicly funded, we rely on Canadians to use and pay for the services we provide. That helps ensure Canada Post remains focused on the needs of Canadians. As those needs change, so too must the postal system.

Responding to change has become a constant at Canada Post, especially since mail volumes began to decline almost 20 years ago. The challenges facing the postal system have grown over time, but significantly accelerated in the last two years as competition exploded in the parcel delivery market. As a result, the Corporation recorded a loss before tax of $748 million in 2023 after posting a loss before tax of $548 million in 2022. While change is a constant, the challenges we're facing and our financial results make the situation more urgent.

Leading the change that's necessary

Canadians understand our business model must change. They can see it in their mailbox. Households across the country were receiving an average of seven letters per week in 2006; today it's two a week. An operating model designed to deliver nearly 5.5 billion letters in 2006 cannot be sustained on the 2.2 billion letters we delivered last year. This is not unique to Canada, but the impacts hit home. Canada Post is now at a critical juncture – modernize and revitalize to serve a rapidly changing country or fall behind and struggle to keep it all going.

At Canada Post, I want to assure Canadians that being there for them each day is much more than a mandated responsibility – it is a commitment that runs deep across the organization. It's a source of pride and a duty every employee takes very seriously. **Canada Post is therefore committed to leading the change that's necessary to secure this essential service and put it on the path to long-term financial self-sustainability.**

Our duty to serve instills in us a duty to act with urgency. We must adapt the postal system to better reflect what Canadians need, where they live, how they shop and how they use the service. As we move forward, we understand the importance Canadians place on Canada Post and the Government of Canada working together as stewards of this national infrastructure.

Taking action to address our challenges

While more change is needed, Canada Post has been steadily taking action to drive the company forward over the last few years. Focused on better serving Canada's growing need for parcel delivery, we've invested significantly in new processing capacity, upgraded our facilities and recorded some of our best customer service numbers ever in 2023. We've also become a safer, greener and more inclusive organization that's recognized for demonstrating leadership on many fronts. In early 2024, we announced major strategic changes to transform our information technology model and to divest SCI to better deliver on our core mandate.

These are all important changes we can build on, but it is clear there is much more we need to do to secure the future of Canada's postal service. There is no perfect fix, but working with our employees, bargaining agents, customers and the government, we can ensure the long-term viability of a service that millions of Canadians consider essential. In fact, for Canada Post, the farther you get from our urban cities, or the smaller your business is, the more essential we become.

An essential service built for today's realities

Canada Post still matters a great deal to the country, and I firmly believe we have the people, the focus and the commitment to serve a modern Canada in a financially self-sustainable manner. What's needed is greater flexibility in how we deliver, how and when the service is provided, and how we cover the cost of providing the service, with a set of checks and balances built for today's realities.

In many ways, the Canada we serve today is not the one we're built for. Despite that, we've been able to make major transitions from mail to parcels, from monopoly to competitor and from nation builder to a constant, reliable lifeline connecting all Canadians, regardless of where they live. It's now time to focus on making the changes needed to address our challenges and better serve Canadians, today and in the future.

As we chart a new roadmap for a modern national postal service, Canadians can be confident that Canada Post will lead the way, ensuring we always remain focused on serving their changing needs.

Doug Ettinger
President and Chief Executive Officer

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Executive summary

Executive summary

Canada Post provides an important publicly owned national infrastructure, connecting the country by serving all addresses in all communities – urban, rural and remote – on a daily basis.

The *Canada Post Corporation Act* from 1985 created the postal system as we know it today, designed at that time to run as an arm's-length organization. The responsibility is simple and has remained unchanged: serve all Canadians and operate in a financially self-sustaining manner based on revenue generated by the sale of postal products and services, not taxpayer dollars.

To do so, Canada Post has been continuously responding to change. As the country evolves, so too must the postal service. When Canadians started to receive less mail and more parcels, we pivoted to serve these new mailing habits, with the most significant changes occurring in the last five years.

Since 2019, Canada Post has been undergoing a company-wide transformation designed to serve Canada's growing appetite for parcel delivery. In 2023, we posted some of our best-ever service results thanks to strategic investments in network capacity. We've moved the company forward and focused on improving the customer experience with extensive upgrades to our facilities, sorting equipment, digital platforms and more. We've also made important advancements in health and safety, environmental sustainability, and equity, diversity and inclusion.

However, as the country emerged from the pandemic, change in the competitive delivery landscape began to accelerate. The rapid shift in the last two years has been occurring at a pace not seen before in our history.

While we've reported on our declining financial situation for a few years, the current competitive landscape has quickly compounded our challenges, which are reaching a critical point. As the landscape has shifted from mail to parcels, cracks are rapidly appearing in the foundation of the postal system.

This report makes it clear that significant change is necessary to modernize and preserve our national postal service. Canada Post is committed to lead that change, understanding the important role it continues to play in connecting all Canadians – in urban, rural and remote communities.

Our current financial picture

- For 2023, Canada Post recorded a loss before tax of $748 million, compared to a loss before tax of $548 million in 2022.
- Without changes to address the structural challenges with our operating model, we forecast larger, unsustainable losses in future years.
- Even with Canada Post's recently proposed stamp price increase, the Corporation projects that, without additional borrowing and refinancing, it will fall below its required operating and reserve cash requirements by early 2025.

A system built to deliver 5.5 billion letters cannot be sustained on two billion letters

Canada Post is a Crown corporation with a long-standing responsibility to stand on its own financially. It's a user-pay system, which means when Canadians change their mailing and shipping needs, the postal system must respond; otherwise, revenue suffers. In less than two decades, our country has evolved from peak mail to an era defined by digital commerce. In response, Canada Post has continued to evolve and transform through one of the most rapid and dramatic periods of change in its long history.

From mail to parcels to the pandemic

The Great Mail Decline

Canada hit peak mail volume in 2006. That year, we delivered almost 5.5 billion letters – the product that postal services around the world were built on. The digital communications age was already under way but kicked into high gear as mobile communication exploded. Every year since then, the amount of mail to be delivered has declined – in Canada and around the world.

In 2023, we delivered less than 2.2 billion letters, significantly impacting revenue – and that erosion will continue. Back in 2006, Canadian households received an average of seven letters per week; today it's two per week. In addition, more than 200,000 new addresses are added each year. We served 17.4 million addresses in 2023, over three million more than in 2006.

The shift from mail to parcels

Canada Post is built to deliver to Canadians and is therefore constantly evolving to serve their changing needs. As letter mail volumes declined, the company began to develop its parcel delivery business to serve the growing, competitive ecommerce market.

The move was successful and parcel revenue grew, making Canada Post the country's ecommerce delivery leader, at one point delivering two thirds of Canadians' online orders. By 2021, parcel revenue accounted for half of Canada Post's annual revenue.

The post-pandemic competitive landscape – the rise of low-cost parcel carriers

Prior to the pandemic, Canada Post already understood that it needed to become more agile and competitive to respond to the demand for reliable and convenient parcel delivery. The company initiated a comprehensive transformation plan in 2019, with several major projects to increase capacity and improve service across the country.

While ecommerce was growing in Canada at a strong annual pace, the pandemic was a game changer. The sudden and lasting boom in demand for ecommerce delivery gave rise to new, privately owned delivery companies. These competitors grew rapidly, leaning on their low-cost-labour business models that rely on contracted drivers to provide lower prices, plus greater convenience with evening and weekend service.

These low-cost private operators have gained significant ground, particularly in the last two years, by focusing on serving international retail giants. Our estimated market share in parcel delivery has quickly eroded by more than half – from 62 per cent prior to the pandemic to 29 per cent in 2023.

Meeting the challenges of serving a changing Canada

Before and after the 1985 *Canada Post Corporation Act* was implemented, successive governments initiated numerous reviews and regulations to ensure we were meeting our dual purpose to serve all Canadians while operating on a self-sustaining financial basis. The regulatory measures were intended to ensure that Canadians from coast to coast to coast would be well served by their postal service. In the paper-based economy of that era, we fulfilled these responsibilities.

The country we serve today is not the country we served in 1985. The mailing and delivery needs of Canadians across the country have dramatically changed and continue to evolve. However, the regulatory approach has remained largely untouched.

Canadians expect Canada Post and the government to work together as stewards of the national postal service, ensuring it is keeping pace with their changing needs. We must work together to ensure the postal system changes with the times.

Why this matters to Canadians

Without major changes to its legacy operating model, Canada Post cannot keep up with the evolving needs of Canadians, particularly in today's dynamic and competitive ecommerce market.

An outdated postal system will affect all Canadians, but it will be felt most by those who need it most – small businesses as well as Canadians in rural and remote areas. The postal service is a vital national infrastructure built to serve the entire country, but it is at a difficult crossroads that challenges its very future and relevance.

Change is needed to ensure the postal service is there for all Canadians, especially rural and remote communities and small businesses. In today's competitive environment, rural, remote and northern communities, with their lower population densities and distance from large urban centres, are costly to deliver to. Canada Post has always been there to serve these communities, delivering a much higher proportion of parcels in rural and remote areas. We're proud to fulfill this need. But without change, our financial situation will impact our ability to continue to serve these important communities.

Canadian businesses – particularly small and midsize enterprises – need a reliable ecommerce delivery partner that allows them to succeed, grow and compete at a time when large, multinational delivery providers are fuelling the growth of huge global retailers. Canada Post, with its unrivalled network and reach, acts as an essential national equalizer, helping Canadian businesses compete with retail giants.

Preserving this important national infrastructure

Canada Post is built to serve the entire country and has the capability to succeed. The challenges facing the postal service today have put it at a critical juncture. Canada Post needs the flexibility to make significant changes to modernize and preserve the national postal service and continue to serve all Canadians how and where they want.

Leading change on the road ahead

Canada Post has been undergoing a major transformation to better compete. But with the sudden, post-pandemic acceleration in competition significantly impacting the business, the current situation will require a much broader approach. **Canada Post is committed to leading the change that's necessary to secure this essential service.**

This national, publicly owned infrastructure has been there for Canadians at every step in our history. Any discussion regarding our future roadmap will require the continued engagement of the minister responsible for Canada Post, and the Government of Canada.

In the short term, we are continuing to find efficiencies that improve our competitiveness while not impacting service. We're continuing to invest in the capacity that's needed to serve a growing country. We're also continuing to seek new sources of revenue connected to our core mission – delivering for Canadians.

In addition, we're working collaboratively with our bargaining agents to achieve greater flexibility in the way we deliver. Our goal is to provide cost-effective, seven-day-a-week delivery that meets the current and future needs of Canadians and businesses. We're already testing dynamic delivery models and other new services.

To address longer-term issues, we need to fully understand what kind of postal system Canadians want. We need to understand how it should operate financially and who is going to pay for it – users of the system, or taxpayers. This is an important discussion about a national institution that requires input from customers, key stakeholders, our bargaining agents, and Canadians. This conversation is already under way.

As we formalize our roadmap for change, we will do so with the following goal: provide a postal system that has the flexibility it needs to modernize and serve all Canadians, while ensuring the checks and balances that Canadians want are in place.

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Our financial picture

Our financial picture

As a Crown corporation, Canada Post has a duty to report its financial results to Canadians. This process is an essential part of our accountability to Canadians and Parliament. It includes our responsibility to report about the company's financial picture on a going-concern basis and our ability to operate in a financially self-sustaining manner. Canada Post's operations are funded by revenue generated by the sale of postal products and services, not taxpayer dollars.

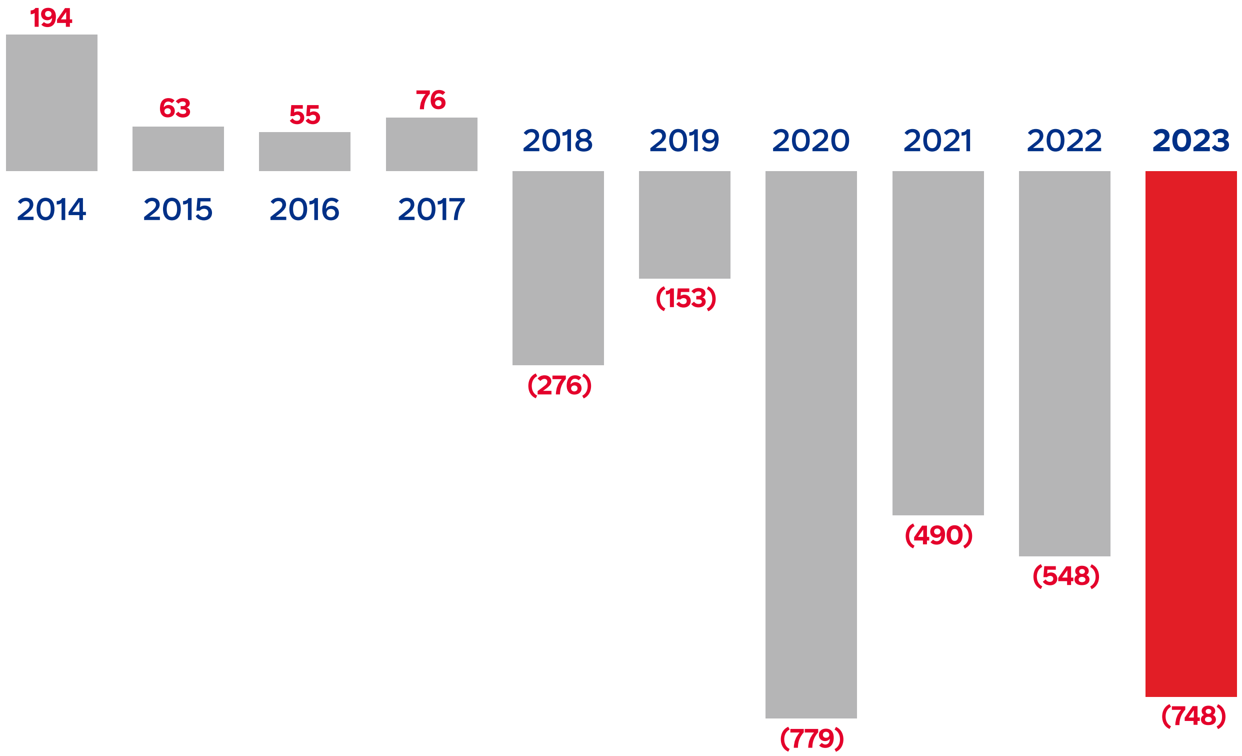
Canada Post's financial situation is unsustainable. The Corporation has recorded significant annual losses since 2018, fuelled by rapid changes in the postal and parcel delivery sectors and legacy regulatory measures that impede the company's ability to evolve and compete.

For 2023, the Corporation recorded a loss before tax of $748 million, compared to a loss before tax of $548 million in 2022. From 2018 to 2023, Canada Post lost $3 billion before taxes. Without changes and new operating parameters to address our challenges, we forecast larger and increasingly unsustainable losses in future years.

Canada Post is at a critical juncture in its history. With financial pressures mounting, its long-standing role as a vital, publicly owned national infrastructure for Canadians and Canadian businesses is under significant threat.

Canada Post segment profit (loss) before tax

(in millions of dollars)



Deteriorating liquidity and borrowings

The company's cash has significantly eroded due to ongoing operating losses, large pension and employee benefit contributions, and critical investments to expand capacity and modernize the network. Cash, cash equivalents and marketable securities have depleted by nearly $1.2 billion since 2021.

Without additional borrowing and refinancing, we expect to fall below our required operating and reserve cash requirements by early 2025.

The Corporation has current loans and borrowings of $1 billion, of which $500 million is due for repayment in July 2025. At least $1 billion in new borrowings or other liquidity measures are required for 2025, including refinancing $500 million in existing debt. In the current financial situation, at least $1 billion will also be needed in 2026 and each year afterward to maintain operations and meet our employee obligations.

The Great Mail Decline and cost pressures

For more than a century, letter mail was the main source of revenue for the postal service. In 2006, letter mail volumes hit an historic high when we delivered almost 5.5 billion letters to Canadians. Since then, domestic letter mail volumes for the Transaction Mail line of business have declined by 60 per cent and associated revenue has fallen by nearly 30 per cent. A system built to deliver 5.5 billion letters a year cannot be sustained on two billion letters.

Letter mail volumes have declined from 5.5 billion pieces in 2006 to 2.2 billion today

5.5B letters IN 2006

2.2B letters IN 2023

As our mail revenue drops, the cost of delivering mail keeps going up. Population growth means we serve a growing number of addresses each year. In 2006, we delivered to 14.3 million addresses. In 2023, we delivered to 17.4 million addresses.

This issue is not unique to Canada Post. Postal services in advanced economies around the world are experiencing these same challenges as part of the rapid growth of ecommerce and digital transformation for consumers and businesses. The Universal Postal Union estimates revenue from letter-post services globally will decline to about 29 per cent of postal service revenue by 2025, from more than 50 per cent in 2005.

The rise of online shopping has boosted revenue in the Parcels line of business, but it costs significantly more to process and deliver parcels than mail. Parcels require more technology, equipment, scans and customer service support, and take up more space in facilities and vehicles. It also often takes more time to deliver a parcel than a letter (the employee may require a customer signature, for example). With higher costs and lower margins, growth in our Parcels business is not offsetting losses from Transaction Mail.

In 2006, Canadian households received an average of seven letters per week – today it's two per week

7 letters per week IN 2006

2 letters per week IN 2023

Scaling back our transformational investments

In response to its challenging financial situation, the company has tightened operational spending and significantly scaled back planned transformational investments. For example, we are:

- **Cutting costs within our control and operating more prudently.** While these cost-saving efforts are critical given our financial situation, they are not enough to offset forecasted deficits.
- **Continuing to focus on increasing revenue wherever possible** across all lines of business and exploring new revenue opportunities.
- **Delaying important investments in our processing network** for strategic projects across the country.
- **Slowing investments on key social and environmental initiatives.** This will impact our service to Canadians and make it more challenging to achieve our environmental targets and timelines.

While we are closely monitoring our spending, we will continue to invest in our highest priority – the health, safety and well-being of our people.

Meeting the challenges of serving a changing Canada

Meeting the challenges of serving a changing Canada

The country we serve today is not the country we served in 1985. The rapid changes in our current environment have outpaced the regulatory approach, adding to the substantial pressures on our business. Modernizing the postal system would address some of the significant challenges we're facing as we serve a changing Canada.

Canada Post has a responsibility to serve all Canadians and operate in a financially self-sustaining manner, based on revenue generated by the sale of postal products and services, not taxpayer dollars. The 1985 *Canada Post Corporation Act* created the postal system as we know it today. It was designed to run as an arm's-length organization.

Both before and after the Act was implemented, successive governments introduced numerous reviews and regulations impacting Canada Post. These measures were intended to ensure Canadians across the country would be well served by their postal service. In the paper-based economy of that era, we fulfilled these requirements.

The country we serve today is not the country we served in 1985. While the mailing and delivery needs of Canadians have changed significantly and continue to evolve, the regulatory approach has not kept pace. Canadians expect Canada Post and the government to work together as stewards of the national postal system, ensuring that it evolves to meet their changing needs.

As we move forward, it is important we work together to change the postal system to better reflect what Canadians need, where they live, how they shop, and how they use the postal service. A regulatory approach that provides the flexibility to do that, while ensuring the proper checks and balances are in place, would provide the foundation to secure the postal service for generations.

Canadian Postal Service Charter

The *Canadian Postal Service Charter* reaffirms the government's commitment for Canada Post to operate in a financially self-sustaining manner, while meeting the obligations and expectations set out in earlier directives. The Charter is required to be reviewed by the government every five years. It was last done in 2018.

When the Charter was established in 2009, mail had started to decline but there was still enough volume to cover the cost of meeting these expectations. Today, we're operating in a completely different environment and we're no longer able to cover these costs.

The rapid changes in our current environment have outpaced the regulatory approach, adding to the substantial pressures on our business. A modern postal system would be better positioned to address some of the growing issues we're facing across the country.

Protecting service for truly rural areas

Over the past three decades, demographics have changed and urban sprawl has accelerated. Areas that were rural in the 1990s are now urban, as housing developments, retail outlets and other services spread out, creating suburban communities. We respond to these changes every year, expanding our network to serve new addresses and new neighbourhoods. Since 2006, we've added more than three million new addresses to our delivery network.

With Canada expecting an extended housing boom, it's time to update the regulatory requirements put in place in 1994 that cover rural post offices to ensure they reflect the last 30 years of urban sprawl. Today, these requirements apply to many communities that were once rural but are now clearly suburban with more service options nearby.

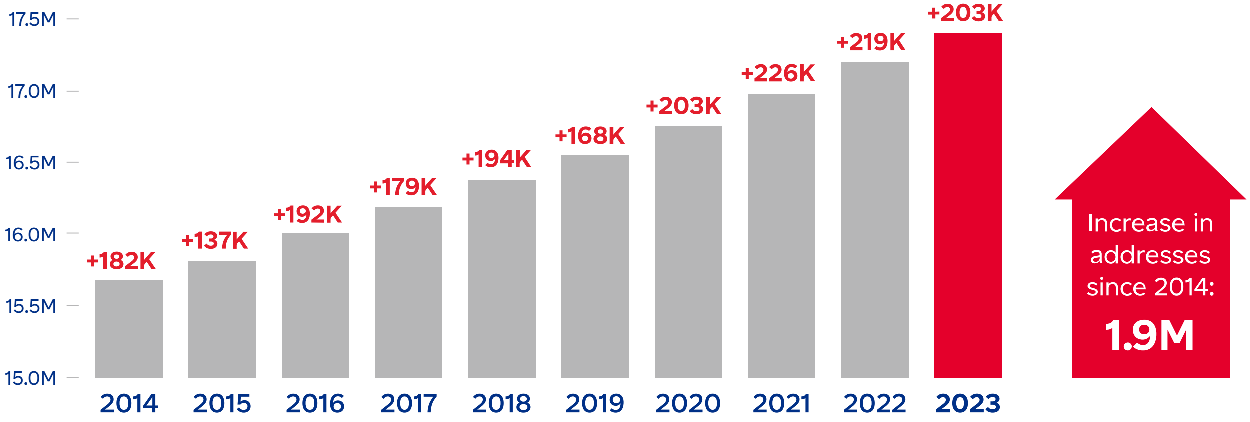
An updated approach would help the Corporation invest and maintain services, with a greater focus on underserved rural and remote areas, far from the urban centres.

Serving the needs of a changing urban Canada

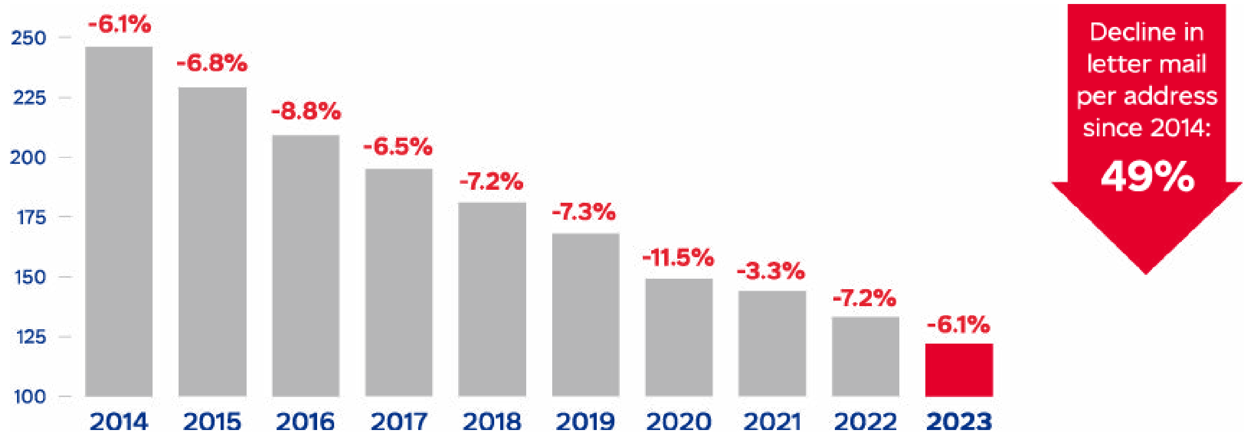
The housing surge is going to be felt in every corner of the country. Canada Post will serve every new address, as is our long-standing duty under the Universal Service Obligation (USO). Urban communities, in particular, will change significantly as intensification and infill housing continue across the country.

It's crucial that Canada Post prepares for the changing needs of busier urban neighbourhoods experiencing an accelerating number of new addresses. Adding more addresses to a delivery network largely built for letters is not a solution to the challenges ailing the postal system – it will only exacerbate the problem. Canadians are using the postal system differently and, each year, rely less on letter mail delivery. We need to change how and when we deliver to better reflect this behavioural change.

The number of addresses grows each year...



... as letter mail per address declines



Find a data table for our Address growth infographic and a data table for our Letter mail decline infographic on our page, **Delivery reach and letter mail data**.

At the same time, we continue to work collaboratively with our bargaining agents to achieve greater flexibility in the way we deliver. Our current delivery model is rigid and not built to easily respond to the changing needs of the country. Delivery routes are based on a set number of addresses to visit, rather than volume delivered.

The model also sees the company incur significant overtime costs when providing evening and weekend delivery services, which have become an industry norm. Canadians expect the postal service to provide cost-effective, seven-day-a-week services that meet their needs and expectations.

Pricing that reflects the cost of providing the service

The USO mandates that Canada Post serve all Canadian addresses. It has been our long-standing duty and remains one of our greatest points of pride. To pay for it, we were granted the exclusive privilege – a monopoly – to deliver letters to households at a price that would cover the cost. For decades, this exclusive privilege helped cover the USO expense and enable our financial self-sustainability.

Today, the exclusive privilege to deliver letters does not generate enough revenue to cover the increasing cost of providing the service.

The current regulatory approach does not provide enough flexibility to price stamps and mail products at rates that keep pace with the consumer price index (CPI) and cover the cost of delivering the mail. Our delivery costs have increased due to inflationary pressures and the growing number of addresses served.

We need to work closely with the government to set stamp and letter mail prices that cover the cost of delivering mail to all Canadians. Connecting the country remains as important as it did when the USO was put in place. But declining mail volumes and increased costs have led to a financial imbalance, with major impacts on the postal system and Canadians.

In February 2024, Canada Post proposed postage rate increases, as published in the *Canada Gazette*. The new rates, which would take effect May 6, 2024, subject to Governor in Council approval, are helpful but do not cover the cost of providing the service. Prior to these proposed changes taking effect, domestic letter mail rates have increased twice over the last decade (five cents in 2019 and two cents in 2020), with the last major pricing change made on March 31, 2014.

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Delivery reach and letter mail data

Delivery reach and letter mail data

The following data was conveyed via an infographic on the **Meeting the challenges of serving a changing Canada** page of the 2023 Canada Post Annual Report.

Address growth data table

Statistical data illustrating the growth in number of addresses by year.

Year	Number of addresses delivered to (in millions)	Increase of addresses delivered to year-over-year (in thousands)
2014	15.677	182
2015	15.814	137
2016	16.006	192
2017	16.185	179
2018	16.379	194
2019	16.547	168
2020	16.75	203
2021	16.976	226
2022	17.194	219
2023	17.397	203

Letter mail decline data table

Statistical data illustrating the decline in letter mail per address.

Year	Number of pieces of letter mail delivered per household	Decrease in number of pieces of letter mail delivered per household year-over-year
2014	246	(6.1)%
2015	229	(6.8)%
2016	209	(8.8)%
2017	195	(6.5)%
2018	181	(7.2)%
2019	168	(7.3)%
2020	149	(11.5)%
2021	144	(3.3)%
2022	133	(7.2)%
2023	124	(6.1)%

Post-pandemic competitive landscape

Prior to the pandemic ecommerce boom, Canada Post maintained a strong leadership position in the parcel delivery market. But we quickly lost market share as disruptive new entrants capitalized on the growth in ecommerce. We must be able to compete in this increasingly competitive environment.

The COVID-19 pandemic upended the ecommerce landscape. Fuelled by people working from home and lockdowns to keep Canadians safe, online shopping exploded – transforming the parcel delivery market.

The surge in online shopping attracted an influx of smaller, agile parcel delivery companies. Designed for digital commerce, these low-cost, disruptive new entrants have changed the market. They operate without legacy regulatory measures and typically rely on lower-cost, contracted labour.

Their low-cost business model allows them to deliver six or seven days a week, offering faster, cheaper and more convenient services, raising customer expectations in the process. Our competitors are:

- **Offering weekend and evening delivery.** We are the only major carrier that does not offer regular six-day-a-week delivery in major urban centres; some competitors offer seven-day-a-week delivery nationally.
- **Offering lower prices largely due to their use of low-cost, contracted labour.** These disruptive delivery companies have increased their market share five-fold since 2019.
- **Innovating with flexible parcel return solutions.** The new entrants' agility, flexible delivery model and low-cost structure is eroding our historically leading market position in ecommerce returns, putting pressure on another core revenue stream.
- **Dominating delivery in lucrative, high-density urban areas in Canada's largest cities.**

While Canada Post is innovating its Parcels business, the company's cost pressures and lack of flexibility in its delivery model have challenged its ability to compete with agile, low-cost delivery providers.

Market share decline

Prior to the pandemic ecommerce boom, Canada Post maintained a strong leadership position in the parcel delivery market. But we quickly lost market share as the pandemic continued and disruptive new entrants capitalized on the growth in ecommerce.

Today, in the post-pandemic competitive landscape, we continue to lose ground to these low-cost new entrants. Our parcel delivery market share eroded to 29 per cent in 2023, from 62 per cent in 2019.

The Canadian ecommerce market is expected to double over the next decade. To capture some of this growth, Canada Post must be able to compete in this hyper-competitive environment. But it needs greater flexibility to change and evolve from an operating model that was largely built for the days of peak letter mail that ended almost 20 years ago.

Canada Post's market share in parcel delivery has eroded by more than half since 2019

62%
IN 2019

29%
IN 2023

Taking action to be more competitive

The Corporation has continued to take action to be more competitive. We've been executing our transformation plan and have launched major projects to increase capacity and improve service across the country.

When the pandemic arrived in 2020, demand for parcel shipping came fast and furious. The world – and the parcel delivery market – was changing at a rapid pace.

Canada Post had already shifted its business focus years earlier. In the 2010s, as letter mail continued to decline and parcel deliveries grew, we had started to develop our Parcels business to meet the changing needs of Canadians. Canada Post became the country's ecommerce delivery leader, at one point delivering two out of every three packages bought online, which supported several years of annual profits.

By 2019, the Parcels business represented the largest share of the company's revenue. It was during that same year that we initiated a comprehensive transformation plan, designed for ecommerce growth. The pandemic-driven ecommerce boom arrived, and the Corporation pivoted. We responded by delivering everything we could for Canadians, knowing this was the moment to invest and reposition to seize the ecommerce growth opportunity.

Acting on our transformation

The Corporation has continued to take action to be more competitive. We've been executing our transformation plan and have launched major projects to increase capacity and improve service across the country.

In 2023, the new Albert Jackson Processing Centre helped Canada Post achieve some of the best on-time service results in the company's history.

While our transformation is far from complete, we've made important advancements. As part of our strategic plan, **A Stronger Canada – Delivered,** we built a new leading-edge parcel sorting facility that can handle a million parcels a day. In 2023, the new facility helped Canada Post achieve some of the best on-time service results in the company's history. We've expanded and upgraded other facilities across the country.

We've also invested in technology in our network, improved and launched other new services, reduced our environmental footprint, and prioritized the health and safety of our people. The plan is designed to return the company to growth and put us on the path toward financial self-sustainability.

Transformation highlights

Some of our key transformation initiatives:

- **The new Albert Jackson Processing Centre,** which opened in 2023. Located in northeast Toronto, it is our largest, fastest and greenest parcel sorting plant and a critical hub for our entire national network. Able to handle one million packages a day – and process an incoming parcel for dispatch in less than four minutes – the facility has doubled our capacity in the Greater Toronto Area, where most of Canada's packages originate. It is already improving service for Canadians and businesses across the country.
- **Modernizing services and expanding capacity across our network.** We've expanded and opened new post offices, invested in automated parcel sorting equipment, upgraded facilities, improved tracking of deliveries, and modernized many of our digital platforms. These critical steps position the company to better compete for parcel deliveries and enable it to process higher volumes faster, enhancing the customer experience.
- **We are committed to 2030 and 2050 science-based climate targets** as we reduce emissions on the road to net-zero. To provide more sustainable shipping options for Canadians, in 2023 we launched carbon-neutral shipping for all domestic ground services. Recognizing the changing expectations of Canadians, this service provides sustainable delivery options that offset the emissions from deliveries. For every tonne of greenhouse gas emissions generated, we remove one tonne from the atmosphere by purchasing high-quality carbon offsets. Carbon-neutral shipping has been an important competitive differentiator for Canada Post.

- **Canadians clearly want fast, reliable and flexible service** when it comes to their ecommerce deliveries. Given the current market dynamics, we've been working with our bargaining agents to test new parcel delivery services, including weekend delivery and late induction for next-day local delivery.

Strategic moves focused on our core mandate

In early 2024, Canada Post took major steps to focus its business and effectively double-down on its core mandate of providing a modern postal service.

The company is transforming its information technology (IT) model to better serve the changing needs of Canadians and businesses, and to continue to lead in the dynamic parcel delivery market.

As part of the changes, Canada Post announced plans to divest Innovapost – its IT shared-service provider – to Deloitte Canada. The Corporation brought strategic IT capabilities in-house to deliver digital innovations to customers faster. The Innovapost divestiture is set to close in the second quarter of 2024.

The Corporation also divested SCI Group Inc., a leading Canadian third-party logistics provider, to Montréal-based Metro Supply Chain Inc. The move allows Canada Post to focus its resources on its transformation to better serve Canadians and to position for growth in the ecommerce market. The SCI transaction closed March 1, 2024.

Increasing our competitiveness

While the Corporation has slowed some transformational investments due to its current financial situation, Canada Post remains committed to increasing its competitiveness, now and into the future. The company must continue to evolve and adapt to meet the realities of a dynamic and increasingly competitive ecommerce delivery market – and should have greater flexibility to do so.

Why this matters to Canadians

For Canadians who need their postal service the most, Canada Post does a lot more than deliver. We serve as an essential national equalizer for Canadian small businesses, helping them compete against multinational retailers. We also serve as a lifeline for many Canadians and businesses in rural and remote areas, connecting them to the rest of the country and the world.

Canada Post is committed to being there for all Canadians. The infrastructure that Canada Post has built over the past century connects every community across the country and provides businesses with access to customers no matter where they live.

The country needs a postal service that is there for everyone, especially those who need it most – small and midsize businesses and Canadians living in rural and remote communities. They will be impacted the most as private, contract-labour delivery companies, built to serve large, U.S.-based retailers, expand their Canadian presence.

Small businesses are struggling to compete against multinational retail giants

Small businesses are the backbone of Canada's economy and at the heart of Canadian communities. Yet, small businesses across the country are struggling to compete in a market dominated by large, multinational retail giants, which offer competitive prices and sophisticated online platforms. These large, global retailers tend to benefit from factors such as economies of scale, the size of their distribution network, and data analytics. They're squeezing out Canadian small businesses.

Canada Post serves as a lifeline for businesses in rural and remote areas, connecting them to the rest of the country and the world.

Now, more than ever, small businesses across Canada need a delivery partner that can help level the playing field. That company is Canada Post – we're on their side.

A national equalizer for small businesses

In every corner of the country, small businesses rely on our services and our unrivalled national network. Canada Post's infrastructure connects businesses to every community across Canada and to customers around the world. We open their sales to every doorstep, helping them go head-to-head with global retail giants.

While private sector delivery companies seek out large volumes from global retailers, Canada Post is there for small and midsize businesses. Canadian entrepreneurs need this choice when it comes to their ecommerce delivery provider. They need a trusted partner that supports their growth and ability to compete.

It's one of the ways Canada Post serves as an essential national equalizer for small businesses. Our customers have told us so. When we surveyed our small business customers, they said our access and reach, including our ability to deliver to all Canadian addresses, are what set us apart from other delivery providers.

Bringing small businesses to every doorstep

- We support **more than half a million small businesses across the country.**
- **A majority of our small business customers are micro-businesses** with less than $1 million in revenue and fewer than 10 employees.
- **More than 20 per cent of our small business customers are in rural Canada.**

A lifeline for Canadians in rural and remote areas

Most Canadians live in urban areas, well served by a host of parcel delivery companies. Canadians and businesses in rural and remote areas do not have that luxury. Canada Post is a lifeline for them, providing access to commerce and customers in every corner of the country and across the globe.

We have more than 280 flights per week to northern and remote communities through contracted air service providers.

Rural, remote and northern communities, with their lower population densities and distance from large urban centres, tend to be viewed as costly from a delivery perspective. But Canada Post has always been there to serve them. We go to their communities on a daily basis. For Canada Post, remote delivery includes communities that are only accessible by air for a large portion of the year. Each week, we have more than 280 flights to northern and remote communities through contracted air service providers.

In many parts of the country, we deliver a significantly higher proportion of parcels to rural and remote areas. Nationally, our parcel delivery market share in small and rural communities is 40 per cent higher than in urban areas. Many other large delivery companies also rely on Canada Post to make their last-mile deliveries in these smaller communities.

The significant challenges threatening Canada Post are also a threat to rural and remote communities. Canadians and small businesses in rural and remote areas cannot be left behind. Their postal service is an important publicly owned national infrastructure. It must have the flexibility to change if it is to continue to deliver goods and essential items to and from these communities. If the very future of the postal system is at risk, so too are the small businesses and local economies in these communities.

Conclusion

Preserving a vital national infrastructure

The challenges facing the postal service have increased over time and were accelerated by the post-pandemic competitive climate. Today, these challenges have put the system at a crossroads. Canada Post needs to change quickly, or this important national, publicly owned infrastructure will fall further behind. It will struggle to support and serve the country, particularly those who need it most.

Canada Post has been undergoing a major transformation to increase its competitiveness and better serve Canadians, but its current situation will require a much broader approach. The Corporation and its leadership are committed to leading this change, with a determined focus on ensuring this essential service is there for Canadians, today and in the future.

Planning on our future roadmap is already under way, with important discussions occurring with the Minister, the Government of Canada, stakeholders, our bargaining agents, and the Canadians we proudly serve.

Our goal is to ensure the national postal system is well positioned to serve a rapidly evolving country, and that we are securely on the path to financial self-sustainability. To do so, we must have the flexibility needed to compete in today's ecommerce landscape, while investing in and protecting the service we provide to the entire country. We will do so while ensuring that the appropriate checks and balances, which are important to Canadians, are in place.

Chair’s message

Canada Post is a vital national institution, important to all Canadians in all communities – urban, rural and remote – from coast to coast to coast.

Throughout its long history, the postal service has constantly evolved to meet the changing needs of Canadians and to continue to serve every Canadian address. It’s an enormous responsibility fulfilled by a dedicated team of employees across the country.

Confidence in Canada Post’s ability to lead change

The Board of Directors and senior management understand the important roles they have as stewards of the national postal system. We recognize that Canada Post is at a critical juncture in its history and that its financial situation must improve. Now, more than ever, significant change is necessary to protect and preserve this important publicly owned national infrastructure for all Canadians.

The Board is fully aligned with management on their comprehensive transformation plan, A Stronger Canada – Delivered, that was initiated in 2019. With this plan as the foundation, the company has made such important progress in the last few years.

Improving service and demonstrating leadership

Even before the pandemic sparked an ecommerce boom, Canada Post was positioning itself for growth in the parcel delivery market. The organization has been expanding processing capacity across the country and working to improve service to all Canadians. The new Albert Jackson Processing Centre in northeast Toronto is the company’s largest, fastest and greenest parcel sorting facility, and a critical hub for its entire national network. In 2023, the new facility helped Canada Post record some of the best on-time service results in the company’s history.

Management's commitment to social and environmental leadership has seen the postal service make significant progress in these areas. For example, the company's science-based climate targets, and move to electrify its last-mile fleet, have put it on a path to net-zero emissions by 2050. The organization's launch of carbon-neutral shipping in 2023 is another example of how it's innovating, improving service and leading on issues that matter to Canadians. In recognition of its efforts on sustainability, Canada Post was once again named one of Canada's Best 50 Corporate Citizens by Corporate Knights.

Navigating the challenging road ahead

The Board has an important responsibility to ensure that Canada Post reflects the broad priorities of Canadians and its shareholder, the Government of Canada. In this oversight role, the Board remains focused on Canada Post's dual responsibility to serve every Canadian address and to be financially self-sufficient. We understand that Canada Post's financial situation is unsustainable. Changes and new operating parameters are needed to address the mounting financial pressures amid intensifying competition in the parcel delivery market. The Board and senior management are committed to leading that change and ensuring the postal service is financially self-sustainable.

Work has already begun by improving the company's competitiveness in the parcel delivery market, carefully managing spending, and focusing the organization on serving the changing needs of Canadians.

Proud to serve our country

In closing, it has been an honour and a privilege to serve on the Board of Directors since 2018, with the last four years as Chair. I am especially proud of the strong alignment we've established between the Board and senior management as we tackled challenges and transformed the company. This will serve the company well on the road ahead. Above all, I have gained a deeper appreciation for the important role Canada Post plays in the lives of so many Canadians, and the incredible people that make it happen every day. This is an important national institution, and I thank the Government of Canada for the opportunity to serve these last six years.

S. Sanatani

Suromitra Sanatani, LL.B., ICD.D
Chair of the Board of Directors

Corporate governance

Strong oversight to secure a stronger future

The Board of Directors (the Board) provides oversight and guidance on behalf of the Government of Canada, which is Canada Post's shareholder, on the strategies and related affairs of Canada Post.

The Board holds management accountable for its business performance and strategic objectives. As of March 21, 2024, the Board has 11 members, including the President and Chief Executive Officer (CEO), all of whom are appointed by the Governor in Council. The Board or its committees met 25 times in 2023.

The Board exercises due diligence over:

- strategic initiatives and corporate plans;
- service and operational performance;
- internal controls and financial reporting;
- major contracts and investments;
- recruitment of senior officers;
- health and safety, labour and compensation management;
- environmental, social and governance (ESG) strategy and priorities; and
- effective reporting to the shareholder.

Supporting Canada Post's strategic transformation plan

In 2023, the Board's directors continued to play a key role in overseeing the strategic imperatives tied to Canada Post's purpose and transformation plan: A Stronger Canada – Delivered. Key milestones included:

- approving the next five-year corporate plan, as is required of Crown corporations;
- approving new corporate policy statements related to sustainability and accessibility; and
- approving the first annual Accessibility Plan Progress Report.

As we develop plans in consultation with our shareholder, we continue to focus on:

- providing a service all Canadians can count on;
- fulfilling our commitment to social and environmental leadership; and
- doing right by our people – which includes our responsibilities for health and safety, alignment with our bargaining agents, and ensuring our workforce reflects Canada and the priorities of Canadians.

Board composition and renewal

2023 was a year of change for the Board of Directors:

- three new directors – Ricky Fontaine, Tom Ruth and Melissa Sonberg – were appointed; and
- the terms of long-standing members Lloyd Bryant and Jim Sinclair came to an end.

The Board's members reflect Canada's diversity, with representation from three of Canada's four employment equity groups – women, visible minorities, and Indigenous Peoples. Diversity will continue to be a key consideration in the Board renewal process.

Independence of the Board

The Corporation has a Statement of Board Values and Board Charter, a document outlining standards of conduct for directors, and a bylaw that requires directors to be independent of management.

The Board holds its regular meetings with the President and CEO as a member and with the President and CEO's direct reports as invitees. The Board holds in-camera sessions with the President and CEO and with outside directors only. The Audit Committee meets in camera with external and internal auditors. The Board engages independent counsel and advisers as it deems necessary.

Committees of the Board

Additional oversight is accomplished by the Audit Committee, the Environmental, Social and Governance (ESG) Committee, the Human Resources and Compensation Committee, and the Pension Committee.

Board effectiveness

The Board and management regularly assess the Board's effectiveness through an annual evaluation survey. It has set criteria for desired skills and attributes used to identify potential gaps in succession. Board remuneration complies with guidelines issued by the Privy Council Office.

Subsidiaries

As part of its transformation plan, Canada Post divested two of its subsidiaries – Innovapost Inc. and SCI Group Inc. – in separate transactions, with both transactions set to close in 2024.

The Board continues to exercise oversight over Canada Post's remaining subsidiary, Purolator Holdings Ltd., ensuring consistency in governance practices and alignment to ESG principles.

Governance in principle

Canada Post holds the view that effective organizations require governance practices that are comprehensive but dynamic. Good governance is an essential component in ensuring that the Corporation continues to serve Canadians in an effective and sustainable manner.

More information can be found under Corporate governance at canadapost.ca.

Board of Directors

Suromitra Sanatani

LL.B., ICD.D
Vancouver,
British Columbia

- Chair of the Board of Directors
- Member of all Board committees

Member since May 2018

Doug Ettinger

Ottawa, Ontario

President and CEO

Member since March 2019

Louise Champoux-Paillé

C.M., C.Q.
Montréal, Quebec

- Member of the Human Resources and Compensation Committee
- Member of the Environmental, Social and Governance Committee

Member since October 2022

Krista Collinson

Caledon, Ontario

- Chair of the Environmental, Social and Governance Committee
- Member of the Audit Committee

Member since July 2021

Ron Cuthbertson

Chesley, Ontario

- Member of the Human Resources and Compensation Committee
- Member of the Pension Committee

Member since March 2022

Ricky Fontaine

Québec, Quebec

- Member of the Audit Committee
- Member of the Environmental, Social and Governance Committee

Member since April 2023

Claude Germain

Oakville, Ontario

- Chair of the Audit Committee
- Member of the Pension Committee

Member since May 2018

André Hudon

Notre-Dame-de-l'Île-Perrot, Quebec

- Chair of the Human Resources and Compensation Committee
- Member of the Environmental, Social and Governance Committee

Member since July 2021

Ann MacKenzie

Halifax, Nova Scotia

- Chair of the Pension Committee
- Member of the Audit Committee
- Member of the Human Resources and Compensation Committee

Member since July 2021

Tom Ruth

Kelowna, British Columbia

- Member of the Audit Committee
- Member of the Environmental, Social and Governance Committee

Member since April 2023

Melissa Sonberg

Montréal, Quebec

- Member of the Pension Committee
- Member of the Human Resources and Compensation Committee

Member since April 2023

As of March 21, 2024

Officers of the Corporation

Doug Ettinger

President and Chief Executive Officer

Nathalie Delisle

Senior Vice-President, General Counsel and Sustainability

Jan C. Faryaszewski

Chief Financial Officer

Manon Fortin

Chief Operating Officer

Rod Hart

Chief Customer and Marketing Officer

Susan Margles

Chief People and Safety Officer

Jo-Anne Polak

Senior Vice-President, Corporate and Employee Communications

Daniel Beaulne

Vice-President, Health and Safety

Alexandre Brisson

Vice-President, Engineering

Michael Butera

Vice-President, Pension Fund and Chief Investment Officer

Carrie Chisholm

Vice-President, Environmental, Social and Governance (ESG)

Rindala El-Hage

Vice-President, Finance and Controller

Jon Hamilton

Vice-President, Strategic Communications and Stakeholder Engagement

Anjali Kapal

Vice-President, Product Management and Customer Experience

Ian Kerr

Vice-President, Business Transformation

Alice Lafferty

Vice-President, Operations Excellence

Serge Pitre

Vice-President,
Business Development

Mike Shearon

Vice-President, Operations

Louise Taylor Green

Interim Vice-President,
Human Resources and
Employee Experience

Michael Yee

Vice-President, Retail and
Financial Services

Other officers

Allan Sammy

General Manager,
Internal Audit

As of March 21, 2024

Ombudsman's report

Ombudsman's report

Reporting to the Chair of the Board of Directors, the Office of the Ombudsman is independent of Canada Post staff and management. It gives Canadians another avenue if they feel Canada Post did not live up to its service commitments. It investigates customer complaints and recommends fair and equitable solutions. By identifying trends, focusing on prevention, and recommending changes as needed, it also offers Canada Post another perspective to improve service.

In 2023, the total number of appeals filed with our office remained almost flat compared to the previous year. We received 4,960 appeals compared to 4,955 in 2022, an increase of 0.1 per cent.

Two complaint categories represented 49 per cent of all investigations completed:

- Mail that was damaged, lost or missing.
- Compensation offered by Canada Post was deemed unfair.

When compared to the previous year, 2023 saw small increases in complaints about mail that was damaged, lost or missing; return-to-sender issues; mail delivered to the wrong address; and behaviour of delivery employees.

The number of appeals related to the *Canadian Postal Service Charter* increased by 3.7 per cent, compared to the previous year. The top reported issues were missing or damaged items, and difficulty reaching customer service. Together, they represented 83 per cent of all appeals relating to the Charter.

Of the 2,374 cases for which we completed an in-depth investigation, 28 per cent resulted in corrective action. For the rest, our investigation supported Canada Post's decisions and actions.

Slightly more than half of the filings received did not result in an in-depth investigation because customers withdrew their submission before our investigation concluded, or did not provide the necessary documents, or reached out to us before Canada Post had the opportunity to fully address their issue.

In 2023, we saw progress in all areas where we had identified recurring issues.

We remain committed to working with all customers to ensure the appeal process is fair, unbiased and confidential.

Canada Post • Postes Canada
Ombudsman

2023 Annual Report

Canadian Postal Service Charter

Canadian Postal Service Charter

The *Canadian Postal Service Charter* ensures that postal services remain universal, affordable, reliable, convenient, secure and responsive to Canada Post's customers.

Our compliance to the Charter for 2023 is presented after each clause.

Preamble

The Canada Post Corporation was created to provide a standard of postal service that meets the needs of the people of Canada. The Government of Canada is committed to ensuring transparency in how Canada Post provides quality postal services to all Canadians, rural and urban, individuals and businesses, in a secure and financially self-sustaining manner.

The Government has therefore established the *Canadian Postal Service Charter* to describe its expectations regarding Canada Post's service standards and related activities in providing postal services that meet the needs of consumers of postal services in Canada. These expectations are not intended to modify or derogate from Canada Post's obligations as set out in the *Canada Post Corporation Act* or any other legislation.

Universal service

1. Canada Post will maintain a postal system that allows individuals and businesses in Canada to send and receive mail within Canada and between Canada and elsewhere. Canada Post will provide a service for the collection, transmission and delivery of letters, parcels and publications.

Our compliance:

All 17.4 million Canadian residential and business addresses were served, and international inbound and outbound services were offered to 192 countries.

2. The provision of postal services to rural regions of the country is an integral part of Canada Post's universal service.

Our compliance:

More than 8,200 rural and suburban delivery routes served approximately 5.5 million addresses. Of the almost 5,800 postal outlets located across Canada, more than half were in rural areas.

Affordable rates

3. Canada Post will charge uniform postage rates for letters of similar size and weight, so that letters to Canadian addresses will require the same postage, regardless of the distance to reach the recipient.

Our compliance:

The Corporation charged a uniform rate for letters of similar size and weight, regardless of distance.

4. As required by the *Canada Post Corporation Act*, Canada Post will charge postage rates that are fair and reasonable and, together with other revenues, are sufficient to cover the costs incurred in its operations.

Our compliance:

Canada Post maintained regulated prices at 2020 levels through 2023. The rate for a stamp purchased in a booklet, coil or pane remained at $0.92, while the price of a single stamp remained at $1.07 in 2023. The cost of providing a postal service to all Canadians has been steadily impacted by inflation. This, combined with the fact that each year there are fewer letters to deliver to more addresses, has put considerable financial pressure on Canada Post.

5. Canada Post will provide advance notice of and publicly advertise proposed pricing changes for regulated letter mail products and consult with consumers during the rate-setting process.

Our compliance:

There were no regulated postage rate changes in 2023, and therefore customer consultation on pricing changes was not required.

In February 2024, Canada Post published in the Canada Gazette proposed rate increases to letter mail items, international letter-post items, and special services and fees for public consultation. Governor in Council approval of the new rates is required prior to them taking effect.

Frequent and reliable delivery

6. Canada Post will deliver letters, parcels and publications five days a week (except for statutory holidays) to every Canadian address, except in remote areas where less frequent service may be necessary due to limited access to the community.

Our compliance:

Letter carriers and rural and suburban mail carriers provided scheduled five-day-a-week delivery to 99.9 per cent of the addresses they serve.

7. Canada Post will deliver to every address in Canada. This may be delivery to the door, a community mailbox, group mailbox, a rural mailbox, a postal box, general delivery at the post office or delivery to a central point in apartment/office buildings.

Our compliance:

Canada Post delivered to every address in Canada. A breakdown of delivery methods is in the chart under paragraph 19.

8. Canada Post will deliver letter mail:

- within a community within two business days;
- within a province within three business days; and
- between provinces within four business days.

Our compliance:

Overall on-time service performance for Domestic Lettermail delivery in 2023 was 95.0 per cent, an improvement from 2022.

Convenient access to postal services

9. Canada Post will provide an extensive network for accessing postal services that includes retail postal outlets, stamp shops and street letter boxes, as well as access to information and customer service through Canada Post's website and call centres.

Our compliance:

In addition to almost 5,800 full-service post offices and thousands of places to buy stamps, Canada Post offered access to online services anytime through **canadapost.ca** *and its apps, such as tracking a package, registering a change of address, purchasing postage, paying for duties and taxes, and obtaining photo confirmation of delivery.*

Canada Post also provided more than 974,000 collection points where postal items could be deposited. This includes approximately 705,000 rural mailboxes, 220,000 community mailboxes, 22,000 street letter boxes, and 22,000 indoor parcel lockers, along with our postal outlets and other locations.

10. Canada Post will provide retail postal outlets, including both corporate post offices and private dealer-operated outlets which are conveniently located and operated, so that:

- 98 per cent of consumers will have a postal outlet within 15 km;
- 88 per cent of consumers will have a postal outlet within 5 km; and
- 78 per cent of consumers will have a postal outlet within 2.5 km.

Our compliance:

In 2023, 99 per cent of Canadians lived within 15 km of a postal outlet, 90 per cent within 5 km, and 78 per cent within 2.5 km.

11. The moratorium on the closure of rural post offices is maintained. Situations affecting Canada Post personnel (e.g., retirement, illness, death, etc.) or Canada Post infrastructure (e.g., fire or termination of lease, etc.) may, nevertheless, affect the ongoing operation of a post office.

Our compliance:

In 2023, personnel or infrastructure issues affected 121 post offices covered by the moratorium. In 100 cases, retail services to the community were maintained through staffing of vacancies and in 21 cases retail services were provided in a neighbouring community. Remaining cases are undergoing staffing actions or being reviewed through further community consultation. In all cases, delivery services for the community were maintained without disruption.

Secure delivery

12. Canada Post will take into consideration the security and privacy of the mail in every aspect of mail collection, transmission and delivery.

Our compliance:

The Security and Investigation Services group conducts its operations in accordance with the Canada Post Corporation Act *and other regulatory and legislative authorities. Canada Post Corporation is subject to the* Privacy Act *and is committed to meeting its obligations under this act.*

Community outreach and consultation

13. Where Canada Post plans to change delivery methods, Canada Post will communicate, either in person or in writing, with affected customers and communities at least one month in advance to explain decisions and explore options that address customer concerns.

Our compliance:

In all instances, Canada Post provided advance notice and extensive consultation with affected households before implementing any changes.

14. At least one month before deciding to permanently close, move or amalgamate corporate post offices, Canada Post will meet with affected customers and communities to jointly explore options and find practical solutions that address customer concerns.

Our compliance:

In 2023, four urban corporate post offices came under review. Affected customers and communities were notified and consulted at least one month in advance of any proposed change.

15. Each year, Canada Post will hold an Annual Public Meeting open to the public to provide an opportunity for the public to express views, ask questions and provide feedback to Canada Post.

Our compliance:

Canada Post held its Annual Public Meeting by live webcast on June 7, 2023.

Responding to complaints

16. Canada Post will establish and promulgate complaint resolution processes that are easily accessible to customers and will address complaints in a fair, respectful and timely manner.

Our compliance:

In 2023, Customer Service answered 2.5 million customer calls, and responded to more than 2.9 million customer inquiries created through online channels such as web, chat and email. In addition, customers were able to self-serve using Canada Post's online and voice virtual assistants, which handled a combined 6.1 million conversations.

17. The Canada Post Ombudsman will investigate complaints about compliance with the *Canadian Postal Service Charter* in situations where customers remain unsatisfied after they have exhausted Canada Post's complaint resolution processes.

Our compliance:

The Ombudsman is the final appeal authority in complaint resolution at Canada Post. More information can be found on the Office of the Ombudsman's website at **canadapost-postescanada.ca/ombudsman**.

Reporting on performance

18. Each year in its Annual Report, Canada Post will report on its performance against each of the expectations in this *Canadian Postal Service Charter*.
19. In addition, Canada Post will present in its Annual Report an overview of the delivery methods it uses, indicating the number of addresses served with each delivery method and the financial costs associated with each method of delivery.

Our compliance:

Delivery method	Number of addresses*	Percentage of total addresses	Average annual cost per address
Door to door	4,197,503	24%	$284
Centralized point (e.g., apartment lobby lockbox)	4,865,553	28%	$130
Group mailbox, community mailbox, kiosk	5,967,221	34%	$162
Delivery facility (postal box, general delivery)	1,662,259	10%	$63
Rural mailbox	704,543	4%	$281
All methods	17,397,079	100%	$178

*** As at December 31, 2023**

Reviewing the Charter

20. The Government will review the *Canadian Postal Service Charter* every five years after its adoption to assess the need to adapt the Charter to changing requirements.

Our compliance:

In 2018, the Government of Canada affirmed that Canada Post is expected to continue to meet the expectations laid out in the Charter. The Charter is due for Government review.

Other public policy programs

Government mail and material for the use of people who are blind or partially sighted

The *Canada Post Corporation Act* (Act) allows for the mailing of letters free of charge between citizens and the Governor General, members of Parliament (MPs), the speakers of the Senate and the House of Commons, and other designated officials of Parliament. MPs can also send up to four flyer mailings a year free of charge to their constituents.

The Act also provides for free mailing of material for the use of people who are blind or partially sighted, allowing them to send talking books and other materials free of charge across Canada and around the world. The free service is also provided to many libraries across the country, including that of CNIB.

Canada Post received a government appropriation of approximately $22 million in 2023 to help offset the financial impact of government mail and materials for the use of people who are blind or partially sighted.

Library materials

The library materials service, mandated by the *Canada Post Corporation Act*, is available to recognized public libraries, university libraries or other libraries that are maintained by non-profit organizations or associations and are for public use in Canada. The service provides reduced postage rates for eligible library materials circulated between a library and its patrons. Canada Post receives no appropriation or compensation of any kind from the government to offset this reduced postage rate.

Canadian Forces Postal Service

We also offer free delivery of letters and Regular Parcel™ items to members of the Canadian Armed Forces deployed overseas during the holiday season. Since the inception of this service in 2006, we have delivered over 189,000 parcels, and in 2021, expanded the program to deliver letters for military families for free.

Environmental policy

Canada Post is committed to environmental protection in its operations. The Corporation has determined in accordance with sections 66 and 67 of the *Canadian Environmental Assessment Act, 2012*, that, to the best of its knowledge, during 2023 its projects previously evaluated under the Act were not likely to cause significant adverse environmental effects. More information about Canada Post's efforts to protect the environment can be found in the financial section of the Annual Report and in the Corporation's **Sustainability Report**.

2023 Annual Report

Our size and scope

Our size and scope

The following numbers are for the Canada Post segment.

Employees

More than

68,000

Canada Post segment, paid full-time and part-time employees, including temporary, casual and term employees

Addresses served

Almost

17.4 million

addresses in urban, rural and remote locations across Canada

Pieces delivered

Almost

6.5 billion

pieces of mail, parcels and messages

Plants and depots

22

processing plants

462

letter carrier depots

Fleet

More than

14,800

Canada Post vehicles

Retail post offices

Almost

5,800

post offices, corporately owned or managed by authorized dealers

Delivery routes

More than

22,500

urban, rural and mail service carrier delivery routes

2023

ANNUAL REPORT
Canada Post Corporation

Financial section

For the period ended December 31, 2023

Financial Performance

CONTENTS

Management's Discussion and Analysis

This Management's Discussion and Analysis (MD&A) of the financial condition and results of operations is prepared for the year ended December 31, 2023, for Canada Post Corporation (Corporation or Canada Post) and its subsidiaries – Purolator Holdings Ltd. (Purolator), SCI Group Inc. (SCI) and Innovapost Inc. (Innovapost). These companies are collectively referred to as the Canada Post Group of Companies, the Group of Companies or the Group. The Corporation manages its consolidated operations and, accordingly, determines its operating segments on the basis of legal entities. Three reportable operating segments have been identified: Canada Post, Purolator and SCI. The Other category includes the results of the support functions provided by the information technology business unit, Innovapost, under a shared services agreement between Canada Post, Purolator and Innovapost, as well as consolidation adjustments and intersegment balance eliminations.

This MD&A should be read in conjunction with the audited consolidated financial statements and accompanying notes. Unless otherwise indicated, all financial information in this report was prepared using International Financial Reporting Standards (IFRSs). Amounts are presented in Canadian dollars, rounded to the nearest million, while related percentages are based on numbers rounded to the nearest thousand. Management is responsible for the information presented in the Annual Report. All references to "our" or "we" mean, as the context may require, either Canada Post or, collectively, Canada Post and its subsidiaries. The Board of Directors, on the recommendation of its Audit Committee, approved the content of this MD&A and the audited consolidated financial statements March 21, 2024.

Forward-looking statements

This Annual Report, including the MD&A, contains forward-looking statements that reflect management's expectations regarding the Group's objectives, plans, strategies, future growth, results of operations, performance, and business prospects and opportunities. Forward-looking statements are typically identified by words or phrases such as *plans, anticipates, expects, believes, estimates, intends* and other similar expressions. These statements are not facts, but only estimates regarding future results. These estimates are based on certain factors or assumptions regarding expected growth, results of operations, performance, business prospects and opportunities (assumptions). While management considers these assumptions to be reasonable based on available information, they may prove to be incorrect. These estimates of future results are subject to risks, uncertainties and other factors that could cause actual results to differ materially from what the Group expects. These risks, uncertainties and other factors include, but are not limited to, those set forth in Section 8 Risks and Risk Management of this MD&A (risks).

To the extent the Group provides future-oriented financial information or a financial outlook, such as future growth and financial performance, the Group is providing this information for the purposes of describing its future expectations. Readers are cautioned that this information may not be appropriate for any other purpose. Future-oriented financial information and financial outlooks are based on these assumptions and subject to the risks and readers are cautioned not to place undue reliance on the forward-looking statements.

1. Executive Summary

An overview of the Group and summary of the 2023 financial results.

The Group of Companies is a prominent employer in Canada, with a workforce of more than 84,000 people encompassing full-time and part-time employees, including those in temporary, casual and term positions. In 2023, our employees delivered over 6.6 billion pieces of mail, parcels and messages to nearly 17.4 million addresses throughout Canada. The Canada Post segment proudly manages the most extensive retail network in Canada, with close to 5,800 retail post offices across the country.

Canada Post segment

Under the *Canada Post Corporation Act* (Act), Canada Post has a mandate to provide high-quality postal services at a reasonable price to all Canadians – rural and urban, individuals and businesses – in a secure and financially self-sustaining manner. Canada Post is a federal Crown corporation, reporting to Parliament through the Minister of Public Services and Procurement, and has a single shareholder, the Government of Canada.

Canada Post is guided by the *Canadian Postal Service Charter*, established by the Government of Canada in 2009, which outlines the Corporation's universal service obligation (USO). The Charter includes, but is not limited to, the following:

- Canada Post is committed to maintaining a comprehensive postal system that facilitates the exchange of mail within Canada as well as between Canada and other countries. This system includes the collection, transmission and delivery of letters, parcels and publications.
- Ensuring access to postal services in rural areas is an essential aspect of Canada Post's universal service. The Corporation recognizes the importance of serving remote regions and commits to providing postal services to these areas.
- Canada Post has a responsibility to establish postage rates that are fair and reasonable. These rates, in conjunction with other sources of revenue, must be sufficient to cover the operational costs incurred by Canada Post.

In addition to our core obligations, Canada Post also fulfills specific public policy programs, as mandated by the Act, for example:

- government mailings exempt from postage charges;
- free mailing services for individuals who are blind or partially sighted;

- a reduced postage rate for libraries, facilitating the transportation of eligible materials between libraries and their patrons.

Canada Post also supports the Canadian Armed Forces and their families. We offer free Regular Parcel™ service during the holiday season and free, year-round, Lettermail™ service for families and friends of deployed Canadian Armed Forces personnel.

Canada Post is an integral member of the global postal industry, which encompasses various foreign postal administrations (posts) worldwide. Traditionally, posts have financed their USO by holding a legislated exclusive privilege, or monopoly, over a portion of the postal market. However, the landscape has evolved due to changing communication and transaction patterns, with increasing reliance on the internet and smart mobile devices. Customers are opting for digital alternatives instead of traditional mail services, and the widespread adoption of ecommerce has introduced intense competition within the parcel delivery sector.

Market update

The COVID pandemic radically altered the nature of ecommerce shopping in Canada and reshaped the competitive landscape. Since our last approved Corporate Plan in 2020, our financial picture and operating environment have changed significantly:

- Our share of the parcels market has drastically decreased due to intense competition in the parcel delivery market.
- Lettermail volumes have eroded significantly.
- Our total cost of operations has increased at a much higher rate than our revenues.
- There has been a major decline in our cash position.

These factors, and several constraints such as the limitations of our collective agreements, ongoing financial challenges, and the emergence of the gig labour model – may limit our ability to retain or gain market share and are having a material adverse effect on Canada Post's performance.

Like other companies, Canada Post is also being impacted by broad economic uncertainty (including the possibility of a recession), high inflation and variable retail spending. Macroeconomic challenges that began in 2022, and continued through 2023, negatively affected our revenue and volumes. The influence of these dynamics may persist as we navigate through 2024.

Amid this uncertainty, we expect ecommerce growth to remain strong: over the next decade, the ecommerce parcel market is expected to double 2023 volumes. This growth represents an opportunity for the Corporation. Canada Post has a differentiated position on environmental performance with strong commitments and action plans to minimize our impacts in terms of GHG emissions, waste and the use of natural resources. This is especially important given environmental concerns are increasingly influencing the shipping decisions of consumers and businesses.

Financial self-sustainability

The ongoing trends of increasing losses, intense competitive pressure in the parcel delivery market, Lettermail erosion and the company's high fixed-cost structure are having a significant effect on Canada Post's financial performance. Recurring financial losses and our deteriorating cash position are limiting our ability to adapt the organization to meet the evolving needs of Canadians. Our weakening financial position also threatens our ability to fulfill the mandate set by the Government of Canada. The mandate requires us to fund our operations through the revenue generated from the sale of products and services – rather than relying on taxpayer funding. We must have regard to the need to conduct operations on a self-sustaining financial basis.

Challenges competing in the post-pandemic economy

The COVID-19 pandemic upended the ecommerce landscape. Fuelled by people working from home and lockdowns to keep Canadians safe, online shopping exploded – transforming the parcel delivery market. The sudden and lasting boom in demand for ecommerce delivery gave rise to new, privately owned delivery companies. These competitors grew rapidly, leaning on their low-cost-labour business models that rely on contracted drivers to provide lower prices, plus greater convenience with evening and weekend delivery.

The last few years have seen these private, low-cost operators become the new norm in the parcel industry, leading to greater competition in Canada and on a global scale. Our competitors' flexible and cheaper labour allows them to offer lower-priced delivery options. Often referred to as the gig labour model, it does not typically offer employees security of employment, current or post-employment benefits.

Canada Post, meanwhile, is proud to provide safe, well-paying and stable jobs for Canadians – but it means we spend much more on labour than our competitors, making it difficult to compete. Wages, benefits and employment conditions for the 96% of our employees who are unionized have been collectively bargained, resulting in high fixed labour costs. These legacy collective agreement rules were initially created when Lettermail was our primary business. This situation leaves us with little flexibility to adapt to Canadians' changing needs, impacting our ability to stay competitive in today's ecommerce environment. Establishing and maintaining strong relationships with our bargaining agents, particularly during current and future negotiations, is crucial to ensure the Corporation can compete and continue to meet Canadians' needs.

In Canada, consumers are increasingly relying on delivery intermediaries with asset-light delivery models and cost structures that are notably lower than those of traditional carriers. This shift has given rise to numerous competitors who are expanding their geographical reach and providing delivery services in the evenings and on weekends. As we navigate the current competitive landscape, there are several challenges that we must address to ensure we achieve financial self-sustainability:

- Decreasing volumes of Lettermail, along with financial commitments and capacity constraints, pose inherent risks to our traditional paper-based business operating model.
- Growing demand for ecommerce parcels, combined with competitive rate shopping, has put increased pressure on pricing. Customers have heightened expectations for service performance, delivery speed and flexible delivery options, including weekends, same-day and next-day delivery.
- Continued consumer shopping with major online retailers has concentrated shipping decision-making. This trend has contributed to the erosion of our market share as these retailers continue to move toward gig labour and self-managed delivery.

Corporate Plan

On October 27, 2023, we submitted our 2024-28 Corporate Plan (Plan) to the Government of Canada, our sole shareholder. The Plan outlines the significant challenges we face, including recurring financial losses and a deteriorating liquidity position. More important, it highlights the need to work with our shareholder to align on solutions for financial self-sustainability. We are at a critical point in our history, where our longstanding role as essential national infrastructure faces substantial threats without major transformation. As of the date of this report, the Plan has not yet been approved.

Financial and business highlights

Segment results – Profit (loss) before tax (in millions of dollars)

	2023	2022	$ change	% change
Canada Post	(748)	(548)	(200)	(36.5)%
Purolator	293	317	(24)	(7.4)%
SCI	14	16	(2)	(13.4)%
Other	(88)	(77)	(11)	(14.0)%
Canada Post Group of Companies	**(529)**	**(292)**	**(237)**	**(81.0)%**

In 2023, the Group reported a loss for the sixth consecutive year. The loss was mainly attributable to a loss in the Canada Post segment partially offset by profits from Purolator and SCI.

In early 2024, Canada Post and Purolator announced their plan to divest 100% of the shares of two subsidiaries, SCI Group Inc., a leading Canadian third-party logistics provider, and Innovapost Inc., the Group's shared services provider in information technology. Net assets of the two subsidiaries were classified as disposal groups held for sale in the consolidated statement of financial position as at December 31, 2023. When control transfers to the acquirers in 2024, transactions for services performed by these entities will be done on an arm's-length basis. These divestitures are elements of our overall transformation plan as we adapt to better serve the changing needs of Canadians and Canadian businesses. These moves help position the company for growth in Canada's ecommerce market while delivering on its core mandate of providing reliable delivery of mail, packages and parcels to every Canadian address.

A Stronger Canada – Delivered

Over the last three years, we have made significant progress on implementing our transformation plan, A Stronger Canada – Delivered, such as the launch of several initiatives across the plan's three pillars: providing a service all Canadians can count on, social and environmental leadership, and doing right by our people. Our progress on initiatives supporting this plan is included in Section 4 Capabilities.

Looking ahead: We remain committed to these three transformational pillars in the long term. However, due to our present financial challenges and the status of the 2024-28 Corporate Plan, it is essential in the short term that we take steps to align our investments with our near-term priorities. We reviewed the timing of our transformational investments to ensure we are focused on what is essential right now to compete, to deliver great service to Canadians and to keep our people safe – and to prioritize those investments. This review was completed in late 2023 and we decided to pause several major projects across the company, including investments in our processing network, some customer experience projects and the purchase of additional electric vehicles.

Revenue by line of business

	Revenue (in millions of dollars)				Volume (in millions of pieces)			
	2023	2022	$ change	% change	2023	2022	Change	% change
Parcels	3,482	3,573	(91)	(2.5)%	296	286	10	3.7%
Transaction Mail	2,298	2,424	(126)	(5.2)%	2,196	2,313	(117)	(5.0)%
Direct Marketing	951	954	(3)	(0.4)%	4,002	3,985	17	0.4%
Other	211	231	(20)	(8.9)%	–	–	–	–
Total	**6,942**	**7,182**	**(240)**	**(3.3)%**	**6,494**	**6,584**	**(90)**	**(1.4)%**

Parcels revenue decreased despite increased volumes

Total Parcels volumes increased +3.7% in 2023 due to increased competitive offerings, higher online shopping returns and additional volume from new and existing ecommerce customers. Improved service performance, the introduction of late induction in key markets such as the Greater Toronto Area, and the 2023 launch of carbon-neutral shipping for ground shipments are contributors to domestic volume growth. However, despite an increase in commercial parcel rates, revenue declined by -2.5%. This decrease can be attributed to shifts in customer and channel mix, increasing competition and a decline in fuel surcharges, which are closely linked to market rates. There has been a growing shift where competitive commercial consolidators are increasingly being used over the conventional inbound postal network.

Looking ahead: To preserve and expand our share in the parcels market, we are focused on addressing competitive pressures, providing high service performance, and capitalizing on the growing returns business through the launch, or pilot, of return service enhancements such as box-free and label-free returns. We will continue to respond to consumer expectations for next-day delivery and environmental sustainability.

Mail volume erosion continued, revenue declined while stamp prices remained at 2020 levels

Our traditional Lettermail service continues to be replaced by digital communications. In 2023, Transaction Mail revenue and volumes fell (-5.2% and -5.0%, respectively), compared to 2022. Regulated stamp prices were maintained at 2020 levels, preventing the Corporation from mitigating the revenue impact of ongoing volume declines.

Looking ahead: Canada Post requires regulatory approval to raise stamp prices. In February 2024, Canada Post published proposed rate increases to regulated rates in the *Canada Gazette*. Governor-in-Council approval is required for these new rates to take effect.

Direct Marketing revenue negatively affected by structural shift in the advertising industry

Direct Marketing enables businesses and organizations to send offers, promotions and marketing messages to existing and prospective customers. In 2023, Direct Marketing revenue decreased by -0.4%, while volumes increased by +0.4%, compared to 2022. Total volumes are below pre-pandemic levels. The decline in revenue was driven by economic uncertainty and the continued shift toward digital marketing. Canada Post Neighbourhood Mail™ revenue increased mainly because of new customer relationships and product developments.

Looking ahead: While our long-term value to Canadian businesses and consumers – and our path to financial self-sustainability – is primarily tied to parcels, Direct Marketing is an important revenue generator. It plays a significant role in maintaining the delivery density of our network as we adapt to the dual challenge of a rapidly evolving ecommerce market and the continued erosion of Transaction Mail. We are working to keep Direct Marketing relevant as it continues to recover from the pandemic, by investing in solutions that help businesses and consumers connect, while respecting their privacy and preferences. We are also working with industry partners and retailers to make Direct Marketing more environmentally friendly.

Higher operating costs were partially offset by a decline in employee benefits costs (in millions of dollars)

	2023	**2022**	**$ change**	**% change**
Labour	3,952	3,710	242	6.5%
Employee benefits	937	1,341	(404)	(30.2)%
Other operating costs	2,545	2,402	143	5.9%
Depreciation and amortization	353	323	30	9.5%
Total cost of operations	**7,787**	**7,776**	**11**	**0.1%**

In 2023, the cost of operations was relatively flat (+0.1%), compared to 2022, mostly due to the following:

- higher labour costs from wage increases, new leave entitlements and cost of living adjustments;
- non-capital investments in operations and technology, especially for upgrading and enhancing our end-of-life enterprise resource planning (ERP) system;
- higher depreciation expense due to capital asset investments in the Albert Jackson Processing Centre.

These increases were offset by lower employee benefits that were driven by an increase in discount rates.

Looking ahead: As our business continues to shift from mail to parcels, we expect higher operating costs associated with collecting, processing and delivering parcels. Costs will be incurred to expand capacity because processing and delivering parcels requires more space. Labour costs will increase as delivering parcels is more labour intensive than letters. This is especially relevant in 2024 as negotiations are under way for new collective agreements between Canada Post and the Canadian Union of Postal Workers (CUPW), representing two bargaining units (CUPW-Urban Postal Operations and Rural and Suburban Mail Carriers). Canada Post is obligated to deliver to every Canadian address, placing additional pressure on costs as the number of addresses in the delivery network continues to increase. In 2023, there were approximately 203,000 more addresses than in 2022.

Investments

The Corporation is transforming through investments that are guided and aligned with the three pillars of its purpose, A Stronger Canada – Delivered. We invested $743 million in 2023, comprising capital and non-capital investments of $384 million and $359 million, respectively. Our more significant investments focused on upgrading our ERP system, replenishing our fleet and exploring clean energy alternatives, upgrading our facilities and equipment, replenishing our street furniture and adding parcel lockers to our network.

Looking ahead: We remain committed to the three pillars of our transformation plan, A Stronger Canada – Delivered. Given our financial situation and current challenges, we have taken steps to align our 2024 investments with our immediate priorities.

Size and volatility of pension, other post-employment and other long-term benefits

The large size and volatility of the Canada Post Corporation Defined Benefit Registered Pension Plan (RPP) and other post-employment and long-term benefit obligations compared to our cash position and incurred loss can put substantial pressure on cash flows and our ability to fund needed investments in modernization and growth. Volatility is caused by fluctuations in discount rates, investment returns and other actuarial assumptions, resulting in sizeable financial and long-term liquidity risks to the Corporation.

At the end of 2023, market-driven volatility continued to have an impact on the segment's RPP and other post-employment and long-term benefit obligation. Accounting remeasurement losses of $1.2 billion, net of tax, were recorded in other comprehensive income contributing to a decrease in equity at December 31, 2023. The actuarially determined expense recorded in the statement of comprehensive income and regular payments were not affected by these remeasurements.

Canada Post was not required to make special solvency payments in 2023. The *Canada Post Corporation Pension Plan Funding Regulations* provides Canada Post with temporary relief from its solvency funding obligations until December 31, 2024. Without this relief, the Corporation would have been required to make special solvency payments of $354 million for 2023. In addition, as the December 31, 2022, going-concern and solvency positions exceeded legislative thresholds, Canada Post was not permitted to make employer current service contributions for 2023 after the valuation was filed.

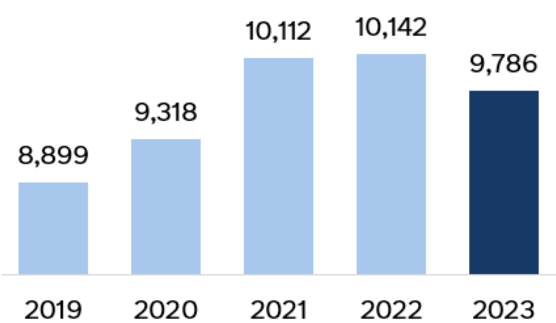
At December 31, 2023, the segment's RPP had an estimated going-concern surplus of $7.5 billion, an estimated solvency surplus of $2.1 billion (using market value of plan assets), and an estimated solvency surplus (using the three-year average solvency ratio basis) of $0.6 billion.

Looking ahead: The RPP is in an overall surplus funded position as at December 31, 2023, such that Canada Post is not permitted to make regular contributions for 2024. In addition, special solvency payments are not required for 2024. Final actuarial valuation results may differ significantly from these estimates.

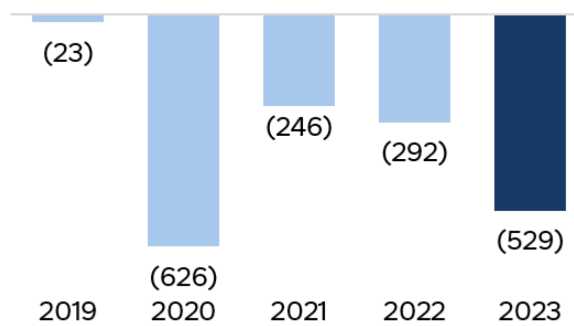
Canada Post Group of Companies – 2023

The charts below present a summary of the 2023 consolidated results for the Canada Post Group of Companies.

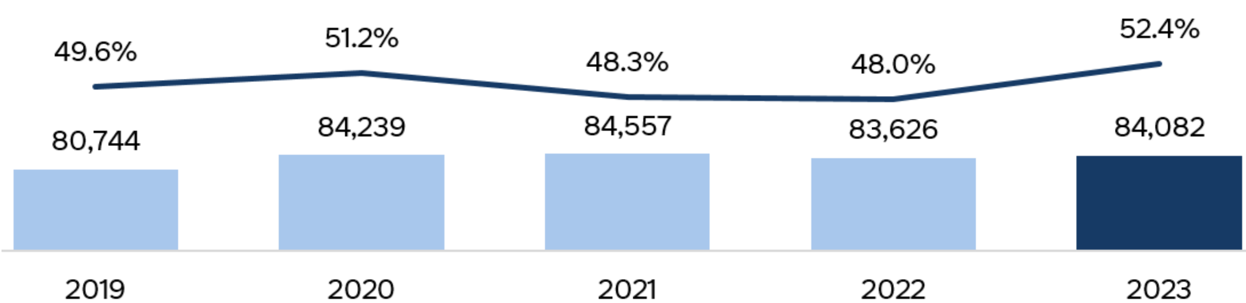
Revenue from operations
(in millions of dollars)



Loss before tax
(in millions of dollars)



Labour as a percentage of revenue from operations combined with number of employees‡



‡ Includes paid full-time and part-time employees including temporary, casual and term employees. Labour as a percentage of revenue from operations excludes employee benefits.

The following table presents the Group's consolidated performance.

Years ended December 31, in millions of dollars

	2023	2022	$ change	% change	**Explanation of significant variances**
Consolidated statement of comprehensive income (loss)					Discussed in Section 5 Discussion of Operations.
Revenue from operations	9,786	10,142	(356)	(3.5)%	Declines in the Canada Post and Purolator segments, partly offset by growth in the SCI segment.
Cost of operations	10,317	10,378	(61)	(0.6)%	Lower operating costs in the Purolator segment, partly offset by higher costs in the SCI and Canada Post segments.
Loss from operations	(531)	(236)	(295)	(124.9)%	Increased losses in the Canada Post segment, and lower profits in the Purolator segment.
Investing and financing income (expense), net	2	(56)	58	104.8%	Higher interest income.
Loss before tax	(529)	(292)	(237)	(81.0)%	
Tax expense (recovery)	108	(64)	172	268.5%	Higher loss before tax in the Canada Post segment combined with a write-down of the deferred tax asset.
Net loss	(637)	(228)	(409)	(179.3)%	
Comprehensive income (loss)	(1,850)	3,354	(5,204)	(155.2)%	Remeasurement losses on pension and other post-employment plans due to a decrease in discount rates, partially offset by higher-than-expected return on assets.
Consolidated statement of cash flows					Discussed in Section 6 Liquidity and Capital Resources.
Cash provided by operating activities	101	300	(199)	(66.4)%	Higher operating losses and lower pension expense in excess of payments partially offset by working capital changes.
Cash provided by (used in) investing activities	4	(283)	287	101.5%	Higher proceeds (net of acquisition) of securities, partially offset by higher cash payments for capital assets and Purolator's business acquisition.
Cash used in financing activities	(142)	(133)	(9)	(6.5)%	Higher payments of lease liabilities in the SCI segment.

2. Core Businesses and Strategy

A discussion of the business and strategy of our core businesses.

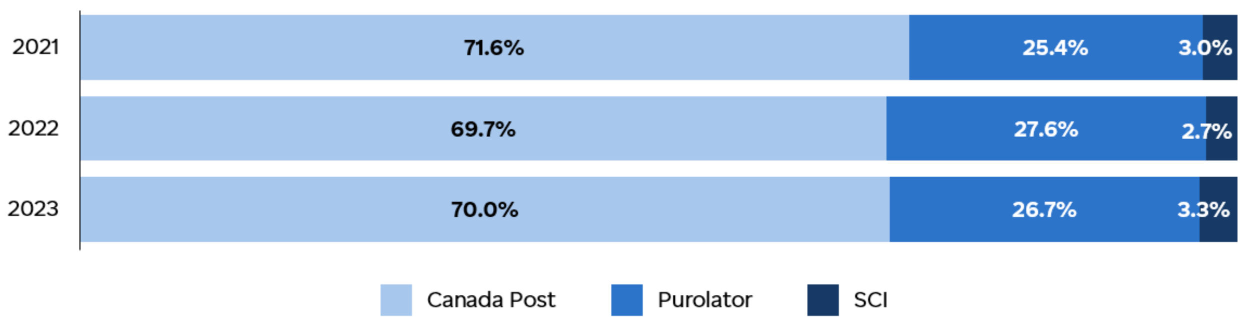
2.1 Our business

Canada Post is proud to serve individual Canadians and continues to fulfill its overreaching purpose, A Stronger Canada – Delivered. With a network that enables remote communications and commerce across Canada and with the rest of the world, the Canada Post Group of Companies is providing innovative ecommerce, marketing, and logistics solutions with annual revenue of $9.8 billion. It works with Canadian businesses, large and small, to help them compete and succeed and to strengthen Canadian enterprises, local communities, and the economy.

The demand for services tends to peak during the holiday season in the fourth quarter, followed by a gradual decline in volumes over the subsequent quarters, reaching their lowest level in the third quarter. Significant fixed costs remain relatively constant in the short term. The Group has the largest retail network in Canada with over 8,600 retail locations, operates a fleet of over 21,000 vehicles and employs over 84,000 people (paid full-time and part-time employees, including temporary, casual and term employees).

In 2023, our employees delivered approximately 6.6 billion pieces of mail, parcels and messages to nearly 17.4 million addresses in urban, rural and remote locations across Canada.

Revenue by segment



Canada Post is the largest segment of the Group of Companies and is Canada's postal administration. Details of the Corporation's material subsidiaries at December 31, 2023, are set out below.

Name of subsidiary	Principal activity	Place of operation	Proportion of ownership interest held directly or indirectly
Purolator Holdings Ltd.	Transportation and courier services	Canada and United States	91%
SCI Group Inc.	Logistics and transportation services	Canada	99%
Innovapost Inc.	IS/IT services	Canada	98%

To ensure oversight of the subsidiaries, Canada Post executives sit on their boards and committees.

Assets and liabilities of disposal groups held for sale

SCI Group Inc. – On January 9, 2024, following approval by their Board of Directors, Canada Post and Purolator announced their plan to divest 100% of the shares of SCI Group Inc., a subsidiary, to a Canadian leader in third-party logistics. SCI has become a leading Canadian third-party logistics (3PL) provider specializing in warehousing fulfillment, supply-chain solutions and transportation management. SCI will continue to provide warehousing and other logistics services to Canada Post after the closing date, however, transactions will be done on an arm's-length basis as the parties will no longer be related. Control of SCI Group Inc. was transferred to its acquirer on March 1, 2024, when the divestiture was completed. The divestiture allows us to focus our efforts on delivering results for Canadians.

Innovapost Inc. – On January 16, 2024, following approval by their Board of Directors, Canada Post and Purolator announced their plan to divest 100% of the shares of Innovapost Inc., the Group's shared services provider in information technology (IT) and a subsidiary, to a world-class IT strategic partner. Technical employees from Innovapost Inc. will continue employment with the strategic partner, which will provide the Group with IT services. Strategic IT elements and talent from Innovapost Inc. have been offered employment with Canada Post or Purolator, which comes into effect the day after closing. This divestiture will eliminate the related party (non-arm's length) relationship within the Group. Control of Innovapost Inc. is set to transfer to its acquirer in Q2 2024.

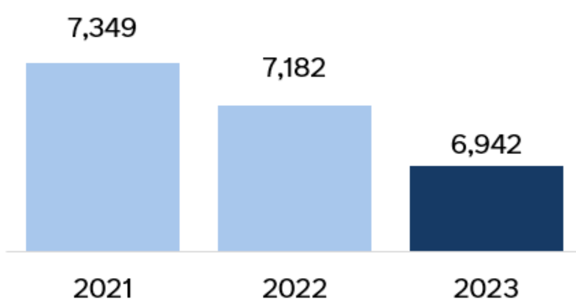
Innovapost has been a valued IT partner to the Group of Companies and has incredibly talented employees. However, after a comprehensive review we determined that the current shared-service IT model, built for a previous era, needed to evolve for us to better compete in today's environment. With ecommerce set to double in Canada over the next decade, powerful IT is essential for the retail economy – and Canada Post. We need to deliver the leading-edge IT that Canadians and businesses can count on so that we can position the company for growth. We're transforming our IT model to better serve the changing needs of Canadians, and to continue leading in the rapidly evolving parcel delivery market. The changes we are making will provide strategic leadership for the company's IT agenda – aligned with our transformation plan – and greater agility to bring innovations to customers faster.

Disposal groups held for sale – Upon the divestiture agreement execution of Innovapost Inc. and SCI Group Inc. on November 29, 2023, and December 22, 2023, respectively, the Group classified Innovapost Inc. and SCI Group Inc. as disposal groups held for sale in the consolidated statement of financial position as at December 31, 2023. Assets and liabilities directly associated with the disposal groups held for sale were presented separately.

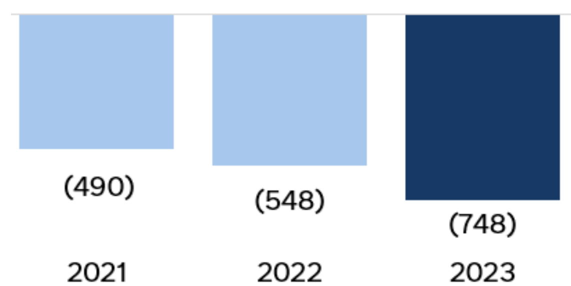
Canada Post segment

Canada Post operates Canada's largest retail network with almost 5,800 retail post offices and a fleet of over 14,800 vehicles that delivered almost 6.5 billion pieces of mail, parcels and messages in 2023. With over 68,000 employees (full-time and part-time employees, including temporary, casual and term employees), Canada Post provides service to nearly 17.4 million addresses.

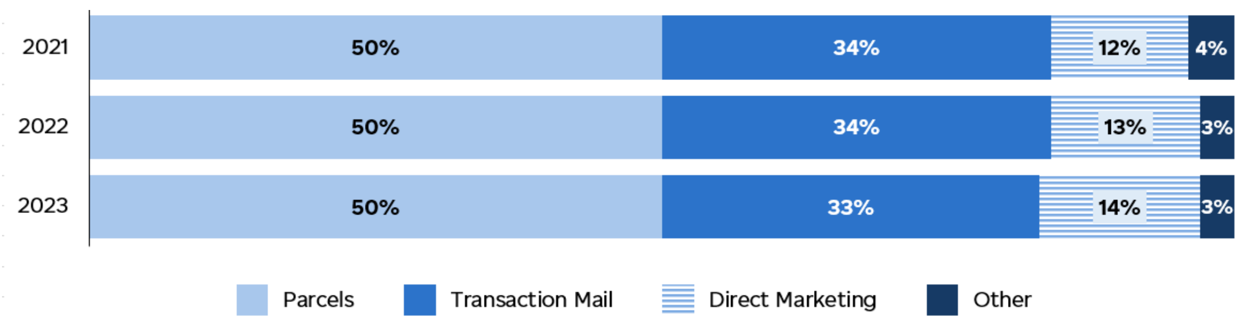
Revenue
(in millions of dollars)



Loss before tax
(in millions of dollars)



Revenue by line of business



Parcels

The Parcels line of business provides a wide range of delivery services to every Canadian address and reaching international destinations through partnerships with foreign postal administrations (posts) and collaboration with global integrators. Services are differentiated by the delivery destination and speed, ranging from urgent-next-day to non-urgent delivery, where transit time is determined by the transportation mode of ground, air or both. Customers include private consumers, ecommerce platforms, businesses and retailers of all sizes, governments, posts and other delivery companies and consolidators.

Transaction Mail

We have the sole and exclusive privilege of collecting, transmitting and delivering letters, bills, statements, invoices and other communications. Transaction Mail includes three product categories: Domestic Lettermail, Outbound Letter-post and Inbound Letter-post, generating revenue from traditional physical mail delivery services. The continued shift toward digital communications among Canadians has led to a notable decline in mail volumes, significantly impacting our paper-based business model. While private consumers are among our clientele, the majority of our customers are from the financial, telecommunications, government and utilities sectors.

Direct Marketing

The Direct Marketing, Advertising and Publishing (collectively called Direct Marketing) line of business includes three primary services:

- Canada Post Personalized Mail™ allows customers to personalize mailings and promotional messages to specific consumers or prospects.
- Canada Post Neighbourhood Mail™ reaches specific neighbourhoods or regions across Canada.
- Publications Mail™ includes the distribution of periodicals, such as newspapers, magazines and newsletters.

Growth in the competitive marketing sector is challenging as businesses spend more of their marketing budget on less costly but potentially less effective digital alternatives. Customers include businesses of all sizes and governments. Canada Post also works with marketers, influencers and partners to provide Direct Marketing products and services.

Other

The Other category consists of a broad array of products and services, including mail redirection, data products, commemorative stamps, gifts and coins, and financial services as well as foreign currency gains and losses.

Purolator segment

189 operations facilities

Over 13,200 individuals employed across Canada and the U.S.

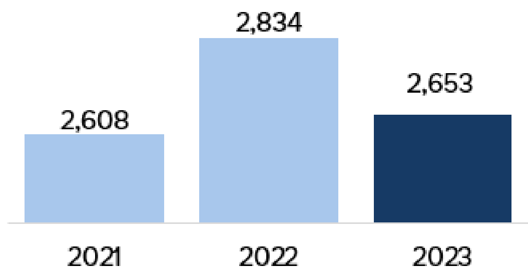
21 U.S branches

Over 2,850 access points (shipping agents and centres, Mobile Quick Stop vehicles in metropolitan areas, self-serve kiosks and drop boxes, and parcel lockers)

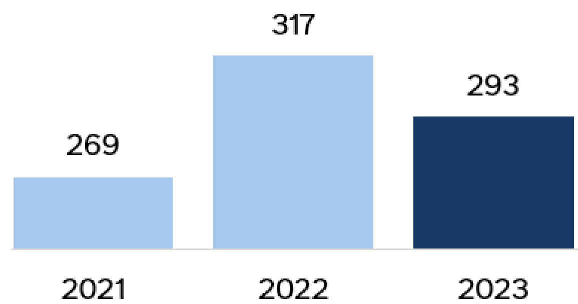
Over 6,300 vehicles

Purolator is a leading integrated freight, package, and logistics solutions provider, delivering packages to, from and within Canada for over 60 years. With one of the most extensive networks in Canada and the U.S., Purolator proudly delivers best-in-class shipping and logistics services to nearly 150,000 active customers across the country and world.

Revenue
(in millions of dollars)

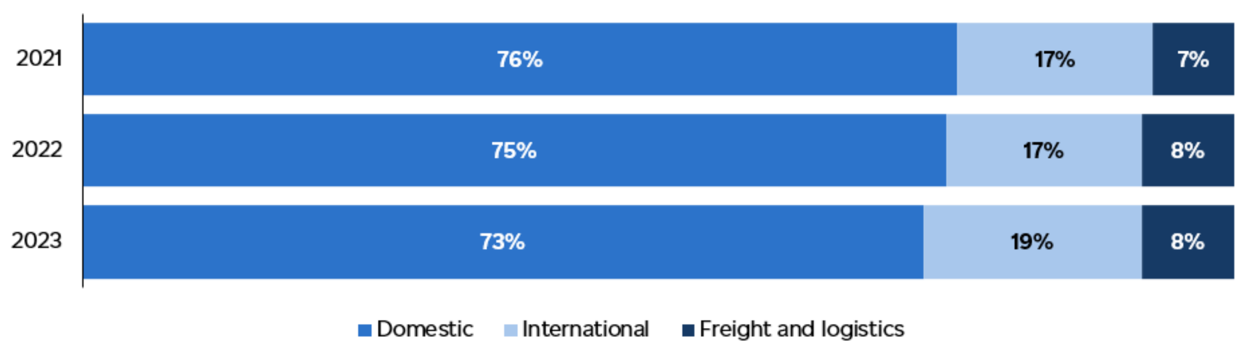


Profit before tax
(in millions of dollars)



Purolator is a trusted partner for customers and employees, and an iconic brand that's part of every community throughout Canada. In 2023, Purolator was recognized on Forbes Canada's Best Employers list and on Forbes's list of Best Employers for Diversity. It also received Canada's Most Admired™ Corporate Cultures award. As a four-time recipient of the award, Purolator earned the program's prestigious Hall of Fame designation. Celebrating its 20th anniversary in 2023, the Purolator Tackle Hunger® program continues to support the growing needs of Canadian communities. Since its inception, the program has raised more than 22 million pounds for local food banks across Canada.

Revenue by line of business



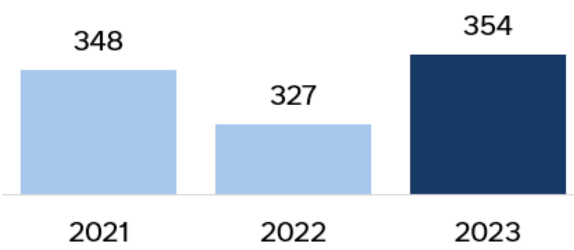
We'll make you even better.

SCI segment

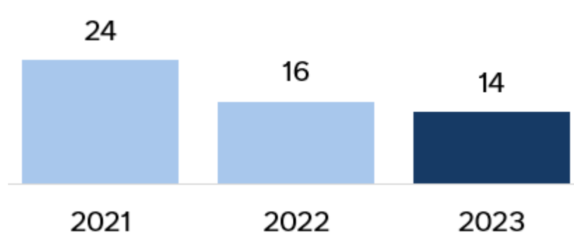
31 distribution centres	**1,941** individuals employed across Canada
$1 billion inventory managed daily	**35** field stocking locations and specialized transportation hubs

SCI is one of Canada's largest providers of supply chain solutions. Through its operating entities SCI Logistics, Progistix and First Team Transport (operating as SCI-White Glove Services), SCI helps companies reduce costs and improve services by designing, implementing, and operating efficient supply chain solutions.

Revenue
(in millions of dollars)



Profit before tax
(in millions of dollars)



SCI offers its clients expertise in business-to-consumer, business-to-business and field service logistics, while delivering innovation, intelligence and integration to supply chains across Canada. Key market segments include retail, technology and healthcare.

2.2 Our business environment

Global trends

In 2023, the adverse economic effects of major geopolitical events (e.g., the Russia-Ukraine conflict) softened as global inflation decreased from the previous year. The world economy ended 2023 in better shape than expected, with economic leaders – such as the U.S. – avoiding a recession and erratic unemployment.

Despite some central banks signalling potential interest rate cuts in 2024, the global recovery is expected to be uncertain and slow as the risks of higher interest rates make their way through economies. Regional divergences in gross domestic product (GDP) recovery are expected.

Global consumer confidence returned to pre-pandemic levels; however, consumer spending remains uncertain due to higher-than-average interest rates and price levels for the cost of goods.

Canada

The Canadian economy followed global macroeconomic trends in 2023 as it avoided a recession and the trajectory of inflation came down (despite being above historic levels). The consumer price index year-over-year change fell to 3.8%, down from 6.8% in 2022.

Economic indicators, which suggested moderating demand, led the Bank of Canada to pause overnight interest rate hikes in July 2023 at 5.0%, marking an end to the rate-hike policy that started in March 2022. A pause in rate hikes is an assumed relief to Canadian citizens and businesses, but will continue to limit consumer spending, business investment and GDP growth in 2024 as rates remain well above long-term historical averages.

Ecommerce spending is expected to face some friction in the early quarters of 2024 as Canadians direct disposable income toward interest payment at levels not seen since 1995. Canadians reported less discretionary spending in the tail-end of 2023, which is expected to continue in the early part of 2024. The ecommerce market trajectory in 2024 is uncertain as the number of online shoppers grows due to population growth, internet penetration levels and ecommerce penetration.

Although ecommerce parcel volumes are expected to double in Canada over the next decade and there is some economic uncertainty within the ecommerce market, Canada Post expects ecommerce parcel volume growth in 2024 as consumers continue to shift their shopping from brick-and-mortar retail to online channels.

A key beneficiary of Canadian commerce moving online is the digital advertising space, which continues to gain advertising share at the expense of traditional media. Digital advertising is expected to represent approximately 80% of total advertising spending by 2033 (up from 66% in 2023). Notably, the pressures on non-digital advertising channels (e.g., newspaper flyers) have been temporarily beneficial to our Neighbourhood Mail™ service, which stands to acquire volumes from entities exiting the traditional advertising space. Over the long term, we can expect continued digitization of overall advertising spending.

Transactional Mail continues to erode with a decline in volumes of 66% in the annual number of pieces of mail delivered per address since 2006. Declining volumes and increases in the number of addresses in 2023 and the preceding five years were as follows:

Transaction Mail (excluding outbound)	**2023**	2022	2021	2020	2019
Delivered volume change	(5.0)%	(6.0)%	(2.0)%	(10.4)%	(6.3)%
Delivery address change	1.2%	1.3%	1.3%	1.2%	1.0%
Mail volume decline per address	(6.1)%	(7.2)%	(3.3)%	(11.5)%	(7.3)%

2.3 Our strategy and strategic priorities

Canada Post segment

The Corporation has a mandate to serve all Canadians while maintaining financial self-sufficiency. On October 27, 2023, we submitted our 2024-28 Corporate Plan (Plan) to the Government of Canada. The Plan highlights the significant challenges facing our business, including recurring financial losses, the erosion of our liquidity position, competitive pressures, and the need to transform our business model. The evolving needs of Canadians across urban, suburban, rural and remote communities have fundamentally changed. Meeting our mandate demands structural changes to our business model to ensure its continued viability. As of the date of this report, the Plan has not yet been approved.

We remain committed to our transformation plan, A Stronger Canada – Delivered, over the longer term. This plan has three pillars summarized below.

Pillar	Strategic imperative
Providing a service all Canadians can count on	• Expanding capacity • Improving service and tracking • Enhancing our retail services • Helping Canadians stay connected and businesses succeed
Committed to social and environmental leadership	• Promoting equity, diversity and inclusion • Making our environment a priority • Fostering reconciliation with Indigenous Peoples
Doing right by our people	• Embedding health and safety in our culture • Building alignment with our bargaining agents • Creating a fair and respectful workplace

We've already made important progress to provide a service all Canadians can count on, demonstrate social and environmental leadership, and do right by our people – and we will continue to do so. Our progress on initiatives supporting this strategy is presented in Section 4 Capabilities.

Looking ahead: While we await our shareholder's decision on our 2024-28 Corporate Plan – and given our financial challenges and ongoing economic concerns affecting consumer spending – it is essential that we take steps in the short term to align our investments with our immediate priorities. We have reviewed the timing of our transformational investments, to ensure we are prioritizing what is currently required to compete, deliver great service to Canadians and keep our people safe. We completed this review in late 2023 and decided to pause several major projects across the company.

For example, we are delaying planned investments in our processing network in Vancouver, Ottawa and elsewhere, and pausing investments in some customer experience projects. As well, we have deferred the purchase of additional electric vehicles (EVs) and the infrastructure that's needed to operate them. We remain committed to electrifying our whole fleet by 2040. However, this commitment makes it challenging for us to meet our goal of electrifying half of our fleet by 2030. We remain committed to achieving net-zero greenhouse gas emissions by 2050 and will continue to make progress on other fronts. We are still committed to building additional capacity, improving the customer experience and demonstrating environmental leadership, but our timelines have shifted.

Purolator segment

Purolator continues to execute its bold five-year strategic plan, which builds on past successes and positions the company for industry-leading innovation and growth. It maintains a focus on providing differentiated capabilities for the retail, healthcare, technology and industrial sectors, while also accelerating high-potential segments. Additionally, Purolator is focusing on international growth to become a leading player in the markets it serves, within and outside of Canada.

To better serve its customers, Purolator is optimizing its end-to-end network capabilities and systems with efficient processes and cutting-edge technology, while also enhancing the first- and last-mile delivery service. This initiative includes expanding the multi-service 24/7 access network to ensure convenience for all customers and partners.

Additionally, Purolator is driving efficiency in its end-to-end business through advanced digitization and analytics. This objective includes focusing on enhancing customer-centric shipper and receiver capabilities and improving visibility across the network, to deliver high levels of service and meet varying customer needs.

Lastly, as part of fostering a purpose-driven, inclusive culture, Purolator aims to be a Canadian industry leader in diversity, equity and inclusion, through key enablers such as leadership accountability, hiring processes, learning and development, and community engagement. In addition, the company is committed to minimizing its environmental impact and executing its ambition to be Canada's greenest courier. This goal is being achieved, in part, through the electrification of 60 percent of its last-mile delivery vehicles by 2030.

Looking ahead: In 2024, Purolator will continue to execute its five-year strategic plan. Purolator is focused on adjusting to market conditions, investing in its network infrastructure to deliver efficiencies and service improvements, and working toward its sustainability goals.

We'll make you even better.

SCI segment

SCI's strategy is to focus on profitable growth from the retail, healthcare and technology key markets. SCI has been investing to enhance business-to-consumer capabilities to provide value-added service to new and existing customers in the key mid-market segment that is driving accelerated growth and profitability.

3. Key Performance Indicators

The Canada Post segment uses senior executive scorecards to monitor performance and progress against strategic priorities. Regular reporting provides management and the Board of Directors with a comprehensive view of the segment's performance. Our progress and achievements against 2023 targets reflecting our commitment to our people and to social and environmental leadership were as follows:

Key performance indicators			2023 target	2023 result	2024 target	Status
Total injury frequency per 100 employees year-over-year improvement			10%	8%	10%	B
Fleet with telematics installed (to date)			5,000	5,201	13,500	A
Employee engagement index[1]			73	70	---	C
Employee diversity[2]	Indigenous Peoples		3.1%	3.3%	3.2%	A
	People with disabilities		6.9%	8.5%	7.9%	A
Greenhouse gas emissions (GHGs)	Scopes 1 and 2 for fleet and buildings[3] (in kilotonnes of carbon dioxide equivalent emissions)		127.0	114.2[4]	112.7	A
Waste Diversion Rate	Percentage of solid, non-hazardous operational waste diverted from the landfill through reduction, reuse, or recycling		---[5]	66.0%[4]	67.6%	A
Electric vehicle (EV) fleet	Number of EVs in our fleet		111	113	---[6]	A
Digital accessibility	Percentage of digital accessibility across all active digital products		90.8%	92.0%	92.0%	A
Indigenous procurement	Spending with Indigenous Peoples (percentage of eligible expenditure in Indigenous businesses)		3.5%	4.0%	4.3%	A
Enhanced postal services in Indigenous communities	Number of communities with improved expanded services[7]		25-35	29	Over 15	A
	Number of engagement discussions (security)		120	125	120	A
Removal of illicit products from the mail stream in Indigenous communities	Number of pieces inspected and removed		3,050	3,191	3,660	A

Notes:

Status A Achieved target within success parameters, or on track to meet target by December 31, 2023.
Status B Performance did not meet target due to an explainable variance.
Status C Target not achieved (outside success parameters).

1. Refer to section 4.1 Doing right by our people for additional information.
2. Although targets are established for all designated equity groups, the Corporation is above 80% of Canadian Labour Market Availability for women and members of visible minorities. The Corporation does not modify recruitment strategies when the goal is exceeded.
3. Scope 3 emissions, which include all upstream transportation, make up 90% of Canada Post's GHG emissions. As part of our science-based targets (SBTs), we are working with our suppliers toward the goal of having 67% of suppliers, by area of spending, to set an SBT by December 31, 2025. Scope 3 emissions are reported in the annual Sustainability Report.

4. Result is a forecast and subject to verification. The confirmed value for 2023 (full year) will be reported in the 2023 Sustainability Report.
5. Divert at least 90% by weight of non-hazardous operational waste and 90% of all construction and demolition waste by 2030. In year target setting began in 2024.
6. The investment prioritization exercise conducted in late 2023 resulted in our decision to defer the purchase of additional electric vehicles (EVs) and the infrastructure that's needed to operate them.
7. 2023 target represented a combined target for 2023 and 2024. Because the two-year target was achieved in 2023, a new target of over 15 communities was set for 2024.

4. Capabilities

This section includes a discussion of the issues that affect our ability to execute strategies, manage key performance drivers and deliver results. In 2023, we've made remarkable progress in our efforts to provide a service all Canadians can count on, demonstrate social and environmental leadership, and do right by our people – and we will continue to do so.

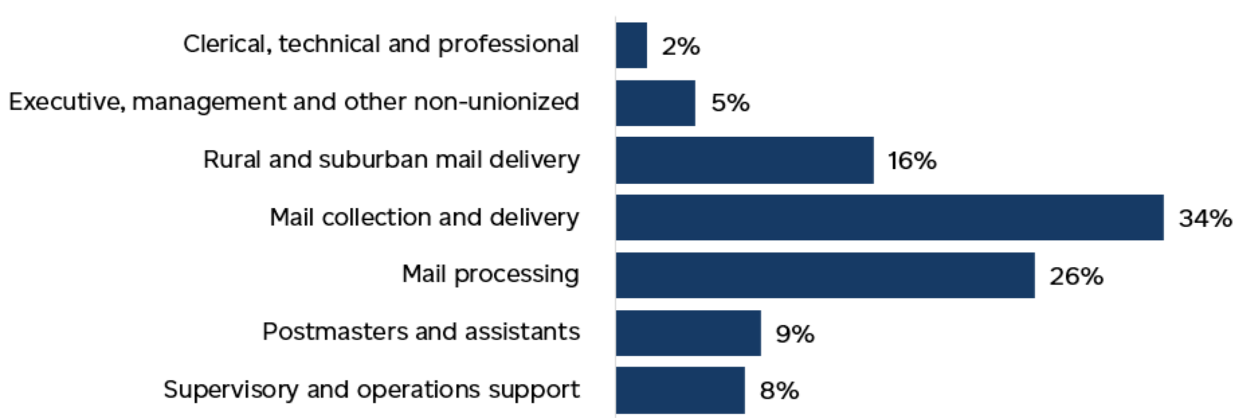
Looking ahead: After a prioritization exercise conducted in late 2023 in the Canada Post segment, certain transformational investments and projects will be paused through 2024 due to ongoing economic concerns impacting consumer spending, competition on the ecommerce delivery market and the resulting financial challenges we are facing.

4.1 Doing right by our people

It is our responsibility to maintain the safety of our employees, customers and communities we serve. With a workforce of over 84,000, most of them employed by Canada Post, the Group is one of Canada's largest employers. With a diverse workforce located in nearly every urban, rural and remote community across Canada, we are committed to being a leader in workplace health and safety.

Canada Post segment

Workforce by type of work – 2023



Talent management, learning and development

Our 68,300 employees (2022 – 67,700) are the company's greatest ambassadors and proud to serve the communities they live and work in. Attracting and retaining top talent has evolved into a significant obstacle and vulnerability for our Corporation, particularly for our management and exempt employees who hold pivotal responsibilities in directing our workforce and effectively executing our transformation strategy. The pursuit of qualified individuals has intensified due to extended uncertainties within the general labour market and other economic influences. Competition for talent further exacerbates this risk.

Compensation restrictions under the *Directive for Setting Terms and Conditions for Management and Except Employees* (per Order in Council 2013-1354, or Bill C-60), which has effectively frozen salary bands for management employees for a decade, are making it increasingly difficult for Canada Post to compete for and retain top talent in the current market, while creating compensation inequalities within the workforce. We have conducted benchmarking which has shown we are significantly below the appropriate market comparables. To resolve these issues, we have proposed changes to the government.

In 2023, we continued our culture transformation by further integrating our values and signature behaviours into programs, policies and collateral while focusing on deepening our leaders' awareness and understanding. We remained focused on our goal of becoming an employer of choice with the launch of an Employee Experience team who have conducted projects focused on improving onboarding for our Association of Postal Officials of Canada (APOC) Supervisors and Management and Exempt employees. Our employees participated in over 927,500 hours of training delivered through various channels such as e-learning, self-directed courses, and a combination of online and in-person courses. Emphasizing the importance of safety, our training initiatives included courses such as Standard First Aid and AED (defibrillator), handling dangerous goods, basic driver training and health and safety orientations.

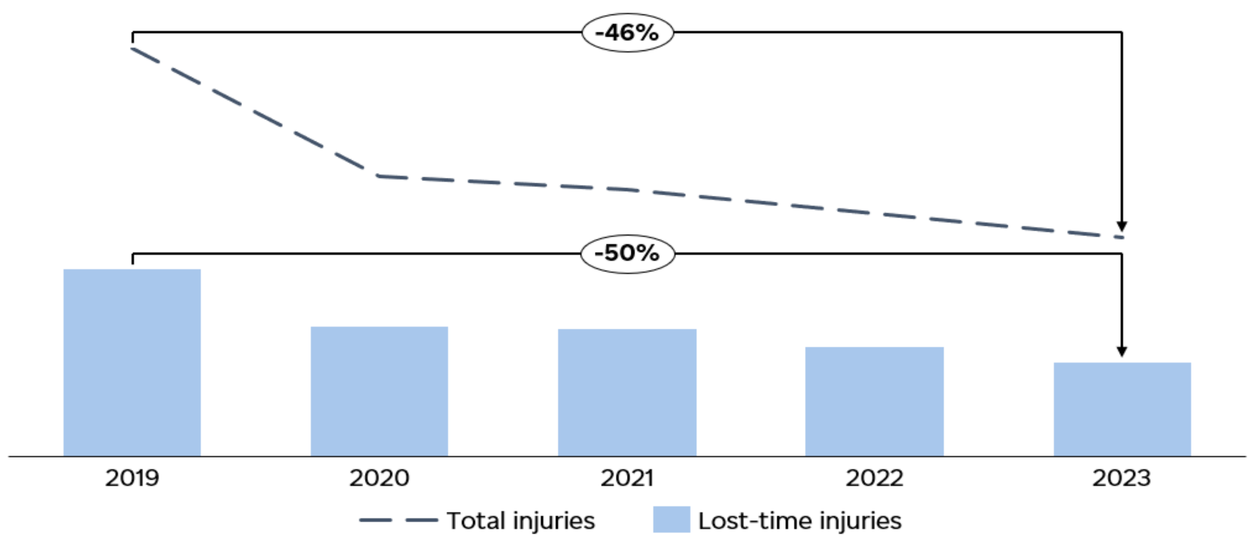
Employee engagement

The 2023 employee engagement index decreased slightly to 70 from 71 in 2022 and fell short of the target of 73. We experienced a response rate of nearly 46% (a 7% decrease over 2022) and received more than 43,000 comments. Nearly 80% of employees remain proud to work at Canada Post with safety as one of the highest-scoring categories. Moving forward, we will conduct the Employee Engagement Survey every two years instead of annually, given the relative stability of results over the last five years and the significant amount of data showing where we need to make changes. While incorporating changes into action plans takes time, this exercise will allow us to act on the valuable input we've received and make meaningful progress. We will continue to solicit our employees' feedback, through pulse surveys and other more focused communications, and reflect their input in our company's actions.

Health, safety and wellness

It is our priority and responsibility to ensure the safety of our employees, our customers and the communities we serve. We are committed to being a leader in workplace health and safety. Improvements in our health, safety and wellness results can be attributed to our diligent communication efforts with our employees, which reinforce the importance of safety culture. In 2023, the total injury frequency rate and lost-time injury frequency rate improved by 8% and 15%, respectively, from the previous year.

Injury frequency (% change over a five-year trend)



As part of our 10-year Health and Safety Strategy we progressed on several initiatives in 2023:

- Shared psychological health and safety videos to help identify workplace factors that promote psychological safety with a focus on work-life balance and raised awareness of tools and resources.
- Deployed SnapComms, a new application enabling the broadcast of life safety alerts related to driving, plant and field operations.
- Launched the Health and Safety Zone, a new platform to replace the current incident management system. This new platform has many capabilities and allows employees to focus their efforts on preventing incidents, rather than preparing time-consuming reports.
- Held over 155 positive safety interaction training sessions for operation leaders and directors in non-field operations with more than 1,600 people leaders trained on having impactful safety conversations, changing behaviours and moving us forward on the safety maturity curve.

- Issued seven new micro-learning videos related to work-life balance, following our prior focus on psychological support, and piloted a new training for the Local Joint Health and Safety Committee members who participated in our psychological risk assessment pilot initiated in 2022.

Road safety

The Corporation rolled out a number of initiatives to increase regulatory compliance and improve driving behaviour. Among the accomplishments in 2023:

- Continued the implementation of National Road Safety Week and Road Safety Month for October, providing tools and resources on collision avoidance and prevention activities.
- Provided upskilling and refresher training to over 5,700 employees in the areas of vehicle inspection, safe backing, safety talks, defensive driving and team leader support.
- Launched online training to over 10,600 rural and suburban mail carriers (RSMCs) on how to respond to many types of road hazards and driving situations. To date, over 5,600 employees have completed the training.

Equity, diversity and inclusion

Canada Post is committed to representing the diversity of Canadians and aims to provide a safe, welcoming and inclusive workplace that embraces and celebrates their differences. This year, we continued to follow our 2023-24 action plan, created as part of our five-year Equity and Diversity Strategy.

In 2023, we held Allyship in Action training sessions, and celebrated and honoured our employees and customers during commemorative days, holidays and observances that are significant and meaningful. We launched our new Pride postmark in June 2023, commemorated Indigenous events with new art installations in our facilities and posted our Anti-Racism and Anti-Discrimination Charter in our retail sites in November 2023. We won four Employment Equity Achievement Awards (issued by Employment and Social Development Canada), including the Employment Equity Champion Award, which recognize employers for their outstanding achievement in implementing employment equity in their workplaces.

Our equity targets are set to achieve 80% of Canadian Labour Market Availability (CLMA) in the next five years for all four employment equity groups. These targets are based on self-identification in our equity census.

Diversity targets	**2023 result**	**2023 target** (minimum)
Women[1]	47.4%	48.0%
Indigenous Peoples	3.3%	3.1%
People with disabilities	8.5%	6.9%
Members of visible minorities	26.1%	19.8%

1. Representation of women at Canada Post remains well above 80% of the CLMA (96.1% of the CLMA).

Labour and employee relations

Number of employees covered by collective agreements

Bargaining agent	**Number of represented employees**[a]	**Expiry date of the collective agreement**
CUPW-UPO[b]	35,800	January 31, 2024
CUPW-RSMC[c]	8,953	December 31, 2023
CPAA[d]	5,238	December 31, 2023
APOC[e]	4,409	March 31, 2025
PSAC/UPCE[f]	1,413	August 31, 2024
Total	**55,813**	

a. All full-time and part-time employees, including those on unpaid leave, as at December 31, 2023; excludes 17,984 temporary, casual and term employees.
b. CUPW-UPO: Canadian Union of Postal Workers – Urban Postal Operations, which represents plant and retail employees as well as letter carriers and mail service couriers.
c. CUPW-RSMC: Canadian Union of Postal Workers – Rural and Suburban Mail Carriers, which represents mail delivery couriers in rural and suburban Canada.
d. CPAA: Canadian Postmasters and Assistants Association, which represents rural post office postmasters and assistants.
e. APOC: Association of Postal Officials of Canada, which represents supervisors as well as supervisory support groups, such as trainers, route measurement officers and sales employees.
f. PSAC/UPCE: Public Service Alliance of Canada / Union of Postal Communications Employees, which represents employees who perform certain administrative, clerical, technical and professional work, including personnel in call centres, pay reporting, and technical employees in areas such as finance and engineering.

Building alignment

We remain committed to cultivating strong relationships with our bargaining agents and working together to build a stronger postal service for Canadians. Relationship committees with some of our bargaining agents as well as other joint committees have served as central platforms to promote open dialogue between the parties in 2023. These committees provide a forum for important discussions on critical issues and business updates. The robust consultation and communication processes in our collective agreements ensure that our bargaining agents and employees are advised in a timely manner of matters impacting them both.

In 2023, we continued to engage with all of our bargaining agents on several initiatives that are important to Canadians and our employees:

- Successful opening of the Albert Jackson Processing Plant in northeastern Ontario, which reflects joint efforts with our bargaining agents, APOC and CUPW.
- Continued work on the development of an hourly rate of pay model for RSMCs.
- Collaboration with our bargaining agents to resolve grievances in a number of significant areas and to proactively address issues.
- Continuous discussions with CUPW and the CPAA on financial services.

Status of negotiations

With three out of five collective agreements that expired at the end of 2023 and in early 2024, the Corporation is now engaged in negotiations with CUPW and CPAA. We're entering these important rounds of negotiations with a goal to work collaboratively with our bargaining agents to reach negotiated agreements, with no impact to Canadians.

Purolator segment

With the continuing challenges in the talent market in 2023, Purolator's attention was focused on the retention and development of top talent and high performers. Throughout the year over 200 managers graduated from EVOLVE, our five-month, award-winning leadership development program designed to help managers gain skills to become effective leaders. In addition, the organization's high performers were enrolled in either the Diverse Talent Matters program (Purolator's approach to supporting and developing talent within the recognized groups) as well as the Future Leaders program, which focuses on preparing future executives and leaders for critical roles across the organization.

Number of employees covered by collective agreements

Bargaining agent	Number of represented employees[a]	Expiry date of the collective agreement
Teamsters[b]	10,685	December 31, 2026
Teamsters[c]	554	December 31, 2027
PSAC[d]	148	Expired
Unifor[e]	111	December 31, 2027
Total	**11,498**	

a. All full-time and part-time employees, including those on unpaid leave, as at December 31, 2023; excludes temporary, casual and term employees.
b. Teamsters represent employees in operations (drivers and warehouse staff).
c. Teamsters represent clerical and administrative employees.
d. Public Service Alliance of Canada, in British Columbia the Union of Postal Communication Employees, represents clerical and administrative employees.
e. Unifor represents clerical and administrative employees.

Purolator and the Canada Council of Teamsters, representing drivers and warehouse staff, are parties to a five-year collective agreement that expires December 31, 2026. Purolator is also a party to 10 other collective agreements with Unifor, PSAC and various Teamsters locals, representing administrative staff across various regions. Nine of these agreements were renewed for an additional five years in 2023, now expiring December 31, 2027. Collective bargaining continues with PSAC to renew its expired agreement.

In 2023, Purolator's continued focus on health and safety has delivered strong results. Continued support for frontline managers, coaching at-risk behaviours and recognizing good behaviours, has made a significant impact. The Purolator health initiative, which helped drive awareness on physiological safety and mental health across the organization, as well as practical tools for managers dealing with employees in crisis have also made a significant impact. This simple and practical approach to managing the health and safety of employees produced the best health and safety results in the organization's history. In addition, Purolator's industry-leading health and safety culture was recognized with the OHS Culture Award and Silver Award for the Psychologically Safe Workplace.

SCI
We'll make you even better.

SCI segment

Number of employees covered by collective agreements

Bargaining agent	Number of represented employees[a]	Expiry date of the collective agreement
Unifor – Toronto	284	December 31, 2027
Unifor – Laval	20	November 30, 2026
Total	**304**	

a. All full-time and part-time employees including those on unpaid leave, as at December 31, 2023.

SCI and Unifor Toronto negotiated a new four-year collective agreement, which expires December 31, 2027. This agreement was ratified on December 18, 2023.

4.2 Our network and infrastructure

Canada Post segment

The Canada Post segment operates a vast network that requires significant coordination between the collection, processing, transportation and delivery activities. In 2023, Canada Post delivered nearly 6.5 billion pieces of mail, parcels and messages to approximately 17.4 million addresses nationwide. We sorted, processed and delivered on average 26 million pieces per day. To process and deliver all the mail and parcels, our national network includes a large infrastructure:

22 processing plants

21,638 indoor parcel lockers

7,579 outdoor parcel lockers

5,789 post offices, corporately owned or managed by authorized dealers

462 letter carrier depots

13,210 letter carrier routes

1,119 mail service carrier routes

8,260 rural and suburban mail carrier routes

17.4 million points of delivery

22,411 street letter boxes

1.7 million post office boxes (including general delivery)

219,579 community mailbox sites

In 2023, our primary focus was on addressing customer demands by expanding our capacity, elevating service quality, and enhancing our technology infrastructure to ensure Canada stays connected and businesses can succeed.

Service and capacity

Projects to increase capacity, support ecommerce growth and meet the evolving needs of Canadians progressed through 2023.

New and improved facilities

- Opened the $470 million Albert Jackson Processing Centre. This centre is the largest industrial project in Canada with the Zero Carbon Building Standard designation. With capacity to handle more than a million packages per day, it is a critical hub for our entire network.
- Completed 15 facility expansions, relocations and modifications:

Province	Municipality	Facility	Change
Ontario	Petawawa	Letter carrier depot	Expansion
	Shelbourne	Depot, retail post office	Modification, retail relocation
	Etobicoke	Depot, retail post office	Modification, retail relocation
	Scarborough	Undeliverable mail office	Relocation
Quebec	Sainte-Julienne	Letter carrier depot	Expansion
	Cap-aux-Meules	Retail post office	Modification
	La Tuque	Retail post office	Expansion
	Roxboro	Letter carrier depot	Relocation
	Saint-Augustin-de-Desmaures	Retail post office	Depot relocation
Prince Edward Island	York	Retail post office	Expansion

Province	Municipality	Facility	Change
New Brunswick	Seal Cove	Retail post office	Relocation
Nova Scotia	Lantz	Retail post office	Expansion
Nunavut	Iqaluit	Retail post office	Relocation
British Columbia	Golden	Retail post office	Modification
	Ganges	Retail post office	Relocation

- Opened two new facilities:

Province	Municipality	Facility type
Ontario	Etobicoke	Retail post office
	Shelburne	Retail post office

Asset replenishments and other demands

- Increased the number of electric and hybrid electric vehicles in our fleet, including the rollout of our first 100 electric vehicles (EVs), with approximately 90 electric delivery vans on the road at the end of 2023.
- Installed and activated fleet charging stations at six depots.
- Since 2020, replaced over 30,000 old community mailboxes with units of the newest model, which accommodates larger items.

International end-to-end network

Part of our network includes facilitating the movement of international mail through the postal clearance process. For 2023:

- Installed new equipment for items requiring further inspection in the customs process. Upgrades improve process flows, reduce backlog and improve transit time to the end-customer. Additional enhancements are planned for 2024.
- The Vancouver and Toronto exchange offices underwent the International Postal Corporation (IPC) Assessment for Certificate of Excellence. The certification recognizes management and staff for providing excellent service quality through engagement and efficient processes, and performing at uniformly high standards to provide the required end-to-end service for customers.
- Achieved the Gold+ Security Certification of the Universal Postal Union's (UPU) for our Pacific Processing Centre, the highest standard for security excellence in all aspects of international mail. All of our international exchange offices have now attained this designation.
- The International Association of Financial Crimes Investigators (IAFCI) recognized Ontario postal inspectors for their leadership, commitment and support in a number of significant mail theft investigations, through their nomination for the IAFCI's 2023 Investigative Partnership of the Year Award for Central Canada.

Technology

In our commitment to enhancing service and tracking capabilities, strengthening our network and capacity, and delivering outstanding experiences to Canadians, we continued to advance technology projects throughout 2023:

- Introduced new delivery capabilities that will support Canadian ecommerce businesses, including later induction to enable next-day delivery in major cities across Canada.
- Concluded the dynamic routing pilot in Montréal to learn how using technology can make our delivery model more flexible.
- Launched photo confirmation of delivery to meet the evolving expectations of consumers. This feature is automatically available for eligible tracked items.
- Deployed approximately 11,000 personal data terminals to date in 2023, the final year of a national three-year program. The new units enhance cellular connectivity and provide carriers with maps and other pertinent information to improve delivery services.
- Launched a new point-of-call update request process and tool, which helps reduce Association of Postal Officials of Canada (APOC) delivery supervisors' workload by removing the edit books and paper process. This improvement is in line with our environmental, social and governance (ESG) objectives – simplifying and accessing a centralized database.
- Completed a series of key milestones under the Experience Transformation (XT) project, including the national deployment of Salesforce (a modern customer relationship management platform that uses process automation and simplification for improved customer and employee experiences), BlackLine Solutions (support in modern account reconciliation and financial period-end closing) and My Care Connect (a reporting system for human rights case management and employee health and safety). Throughout 2024, the XT project will continue its transformational journey with the upgrade to SAP S4/HANA as well as the modernization of technical platforms and processes within the Finance, Order to Cash, Human Resources and Procurement teams.

Purolator segment

In 2023, Purolator was focused on adjusting to market conditions, investing in network infrastructure to deliver efficiencies and service improvements, and working toward its sustainability goals. During the year, the expansion of the network across the country included the opening of the new Shipping Centre and Urban Distribution Centre in downtown Ottawa with parcel lockers and kiosks for pickup and drop-off anytime, and the use of e-bikes and low-speed vehicles. An investment in final-mile sustainable solutions earned for Purolator the

University of Toronto Sustainable Action Award. Purolator also continued investment in automation throughout the network and final-mile delivery.

4.3 Our environmental, social and governance priorities

Canada Post segment

As one of Canada's leading employers with a presence in thousands of communities across the country, Canada Post is expected to assume a broader responsibility that goes beyond its core services. From diversity and inclusion to environmental performance, we embrace these expectations. We are committed to making this country stronger, greener and more inclusive.

In 2023, we earned a gold rating from EcoVadis, placing Canada Post in the 97th percentile across all companies evaluated (2022 - 84th percentile). EcoVadis is a rating platform used by companies across the globe to evaluate the sustainability performance of their suppliers. Companies are evaluated and scored across four themes: Environment, Labour and Human Rights, Ethics, and Sustainable Procurement. While Canada Post's scores for all four themes increased in 2023 compared to the prior year, Sustainable Procurement was our top score at 90/100 (2022 - 80/100).

Environmental sustainability

For the greener good, Canada Post is committed to protecting the environment for future generations. We are taking concrete steps to minimize our environmental impacts and foster a sustainable future for all Canadians.

Our commitment to leadership in environmental sustainability includes ambitious targets:

- Reduce operational (scope 1 and scope 2) greenhouse gas (GHG) emissions by 50% by 2030 and reach net-zero GHG emissions across the Canada Post value chain by 2050 (from a 2019 emissions base year). Canada Post is one of the first 10 transportation and logistics companies in the world to have a net-zero target officially approved by the Science Based Targets initiatives (SBTi).
- Engage top suppliers and subsidiaries to adopt emission reduction targets. Our target is to have 67% of our vendors (by area of spending) and 100% of our subsidiaries, adopt a science-based targets by December 31, 2025.
- Electrify 100% of our last-mile fleet by 2040.
- Divert at least 90% of non-hazardous operational waste and 90% of all construction and demolition waste by 2030.
- Ensure a minimum of 50% recycled content in our plastic packaging by 2030.

Highlights of our 2023 environmental sustainability achievements:

- Offered carbon-neutral shipping for all ground parcel services across our network.
- Continued the rollout of our first 100 electric vehicles (EVs), with approximately 90 electric delivery vans on the road at the end of 2023, and a further 10 electric step vans to begin operating in early 2024.
- Held the grand opening of the Albert Jackson Processing Centre, officially unveiling to the public our largest, fastest and greenest parcel sorting facility. It is also our second building to receive an Accessibility Certified Gold rating from the Rick Hansen Foundation.
- Switched to over 95% renewable electricity in Alberta on January 1, 2023, through a joint Power Purchase Agreement with Public Services and Procurement Canada (PSPC).
- Completed 15 greenhouse gas reduction projects at existing facilities, including the replacement of HVAC systems with more efficient electric systems at sites in Quebec, Nova Scotia, Newfoundland and Labrador, and Saskatchewan, and the installation of rooftop solar panels in Calgary, Halifax and Toronto.
- Continued to engage our suppliers and subsidiaries in setting science-based targets.
- Launched the zero-waste program at our Léo Blanchette facility in Quebec. The program includes new waste and recycling bins, clear signage, targeted communications and change management to support the three Rs: reduce, reuse and recycle.
- Increased recycled content in our plastic bubble mailers from 23% to 50%. These will be available at post offices and retail outlets in 2024.
- Published our second report from the Task Force on Climate-Related Financial Disclosures , including initial estimates of the potential financial impacts and our top climate-related risks and opportunities.

Looking ahead: In 2024, we will make further progress on our emissions reduction targets with initiatives such as the switch to over 90% renewable electricity in Saskatchewan and the continued roll out of our multi-phase GHG reduction program in our facilities. We are also developing a detailed strategy to achieve our net zero by 2050 goal, identifying initiatives to drive reductions in our indirect value chain (scope 3) emissions, which account for almost 90% of our overall carbon footprint. We will increase the diversion of waste from landfill through the roll out our zero-waste program at 10 more plants and 70 depots across our network.

Employee and community engagement

Attaining our environmental, social and governance goals requires engagement and involvement from our employees and the communities we serve. Our 2023 achievements:

- Achieved recognition as an environmentally sustainable employer by 52% of our employees, an increase of 3% over 2022 results.

- Completed the implementation of 68 Sustainability Action Fund projects to date in 2023, led by employees across the country, in support of promoting environmental sustainability at work. Projects include employee gardens, sustainable hydration solutions and bike racks to promote zero-carbon commuting.
- Published the 2022 Sustainability Report, which highlighted Canada Post's achievements in social and environmental leadership, such as actions to green our operations, promote equity, diversity and inclusion, foster recognition with Indigenous Peoples and support small businesses and the local economy.
- Supported 84 organizations through the 2023 Canada Post Community Foundation campaign, with $1.2 million in grants issued to support children's charities, school programs and community organizations.

Governance

Canadians expect Canada Post to serve them in the language of their choice, handle their personal information responsibly and protect it. Key initiatives in 2023:

- The Official Languages Regulations Reapplication Exercise was officially launched by the Treasury Board Secretariat (TBS) on September 21, 2023, and will unfold in phases in the coming months through 2026. We are further defining our action plan in preparation for the rollout.
- Deployed a consent management toolkit that now includes a third-party solution, enabling our website visitors to set their preferences for tracking technologies.
- Reviewed and revised internal privacy policies to ensure their currency, accuracy and adequate protection of personal information under Canada Post's control. The updated policy instruments will be rolled out in 2024.
- The Disclosure of Wrongdoing Program introduced a new tool, a confidential process that offers assurances that anyone who reports a serious wrongdoing can do so without fear of reprisal. All allegations of serious violations or misconduct are investigated.
- Commenced an Accessibility Audit of the Disclosure of Wrongdoings Program in Q4 to determine whether all users can access an equivalent user experience with a focus on access by people with disabilities.
- Introduced a new tool through the Anti-Money Laundering Program to assist in identifying unusual transactions, identify trends and help prevent fraudulent activities.

Accessibility

Canada Post is dedicated to integrating accessibility improvements across the organization for customers and employees. Progress on our Accessibility Strategy includes the following 2023 achievements:

- Completed 205 accessibility site audits and 21 accessibility construction projects at our operational facilities.
- Completed the external accessibility audits on the end-to-end recruitment and retention process and disability management process, including a national small-scale employee survey on accessibility.
- Observed National Accessibility Week, by sharing our Accessibility Plan with customers on social media along with a slideshow that highlighted the actions we are taking to remove barriers.
- Received recognition as an industry leader by the Rick Hansen Foundation on their website and in a blog for our commitment to removing barriers in the built environment and conducted 794 accessibility site audits.
- Participated in a video launched by the Office of the Chief Accessibility Officer about our Delivery Accommodation Program and how we ensure everyone has access to their packages and mail.
- Developed the first corporate accessibility Progress Report against the 2023-25 Accessibility Plan as required by the *Accessible Canada Act*.
- Developed the first corporate Accessibility Policy approved by the Environmental, Social and Governance Committee of the Board of Directors.

Supporting wellness and safety of Indigenous and northern communities

Canada Post's Security and Investigation Services team continues to foster relationships with internal and external stakeholders to deploy a robust regulatory inspection program that supports Indigenous and northern communities. Collaborating with community leaders and partnering with local law enforcement agencies have helped Canada Post improve health and safety in these communities and detect and remove non-mailable matter from the postal system. Here are some key initiatives and achievements in 2023:

- Intercepted non-mailable matter with an estimated street value of over $4.4 million from 3,191 mail items destined to Indigenous and northern communities.
- Completed 125 formal outreach and awareness sessions with leaders from Indigenous communities and law enforcement agencies.

4.4 Products and offerings to serve Canadians

Canada Post segment

Canada Post provides services to Canadians from coast to coast through various channels. Through our retail reach and extensive delivery network, we serve every Canadian. Our domestic business is the most significant, offering strong products and services to large national enterprises and mid-market commercial customers, and small local businesses and consumers in communities across Canada. The international channel includes inbound and outbound services provided by Canada Post in collaboration with other foreign postal administrations and as governed through the Universal Postal Union and bilateral agreements between trading partners.

Serving Canadians in their community: Retail reach

Our extensive retail network of post offices serves an essential point of contact for Canadians who rely on Canada Post for important services, parcel and mail pickup, induction and product returns. There are nearly 5,800 post offices across Canada, which represent more retail locations than any other business in Canada. Corporate locations account for nearly 3,600 of these, including 928 located in rural Canada, where the owner of the establishment is responsible for providing the facility, and private dealers operating the remaining locations. Over half of our locations operate in remote areas across Canada.

In 2023, we developed, tested and implemented a suite of easy-drop boxes in 89 sites across our network. All units were installed with wraps designed to attract customers, identify what can be inducted (both parcels and Lettermail™ items) and distinguish the units from our street letter boxes. Providing customer convenience, reducing wait times at the counter and offering service outside of normal business hours, the boxes have been a success and additional units will be rolled out in 2024.

Expanding services to Indigenous, northern and rural communities

Canada Post is focused on improving services and access to underserved Indigenous, northern, and rural communities. We are committed to forming renewed relationships with Indigenous Peoples and continue to work with Indigenous communities to identify areas that are underserved. In 2020, we implemented the retail five-year roadmap of Canada Post's Indigenous and Northern Reconciliation Strategy. In collaboration with leaders of involved communities, we progressed on the implementation of this roadmap, using post offices to release new products and services that can be scaled throughout the retail network. These services include co-working spaces, automated teller machines or ATMs, interactive directories, business supplies, parcel lockers, public internet access, computer rental stations and others. We achieved the following in 2023:

- Opened three full-service post offices in Sheshatshui and Rigolet, Newfoundland and Labrador, and Buffalo Lake Métis Settlement, Alberta.
- Issued new postal codes for identity and community recognition, added a new full-service post office in Buffalo Lake Métis Settlement and installed or upgraded community mailboxes, parcel lockers, additional equipment and official language signage in several locations.
- Opened a second full-service post office in Iqaluit, Nunavut, to help serve demand in the capital city.

Canada Post takes pride in these initiatives and has been praised for its true act of reconciliation.

Financial services

In 2023, Canada Post enhanced International Remittance services, generating added value for our new-to-Canada and domestic customers. We continue to explore innovative programs and features to expand banking access for more Canadians through new or existing financial services in our lineup. We offer transfer capabilities to digital wallets around the world in partnership with MoneyGram™ for senders based in Canada and within our partnership, we continue to explore the expansion of fund transfers to additional destinations.

In partnership with the Business Development Bank of Canada, we successfully launched in 2023 a pilot loan program for small and medium-sized businesses in Alberta. The objective is to help underserved Canadian entrepreneurs get access to funding and advisory services for more business growth and success. The pilot is set to continue through Q1 2024, with potential expansion across other regions and provinces later in 2024.

Products and services

Canada Post reaches every address in Canada and has the largest network of post offices and facilities conveniently located near customers and their target consumers. We've created business solutions to help our customers launch and grow, including shipping, marketing and ecommerce support with programs and postal services designed for small and larger-volume businesses. We strive to make it easier for customers to work with us and bring insights to improve business practices and opportunities to gain more customers. We are continuously innovating to better serve our country and are committed to staying relevant with new service offerings.

With the Canada Post Smartmail Marketing™ offering, we provide targeting tools to connect physical and online visitors to a business. Using advanced data mapping technologies, our visualization tool strengthens the ability for businesses to focus their direct marketing campaign planning and design by connecting with the right customers and choosing the right direct mail product. Originally designed for faster execution of the Canada Post Neighbourhood Mail™ service, Smartmail Marketing™ was enhanced in 2023 to include Postal Code Targeting™ and Canada Post Personalized Mail™ services.

Strengthening Canadian ecommerce growth

The Canadian ecommerce market is expected to grow over double its current size in the coming decade. To enhance the customer experience and increase market share in this competitive market, the Corporation remains committed to investing in innovative products and services. Here's what we did this year:

- Began weekend deliveries in Montréal, aimed at providing consumers with enhanced delivery options and increased flexibility.
- Expanded late induction for our commercial customers to six cities.
- Launched a pilot of box-free and label-free returns service for an initial select number of retailers.
- Introduced a returns service that allows customers to generate a QR code used to print a return shipping label when scanned at the post office.
- Launched automatic tracking of returns to the Track page of our website and Canada Post app.
- Added 1,500 areas across Canada for ecommerce merchants to take advantage of Canada Post's pickup service at the customer's location to help customers streamline their shipping process.

Customer experience and business development

Canadians are seeking more choice, convenience, control and visibility in every delivery. A key part of our strategy is improving the customer experience. Our improvements in 2023:

- Introduced MyMail, an enhanced feature within the Canada Post app for iOS users across Canada, which provides users with advanced notifications regarding items in transit to their mailbox, and a one-week history of previously delivered items.
- Secured the top spot in the Free Canadian Business Mobile Applications category for our Canada Post iOS™ app, while the Android™ app ranked fourth.

- Delivered 88 proactive and reactive accessibility projects in our retail stores, including the installation of clerk and customer accessible counters and automatic door openers.

International channel

In 2023:

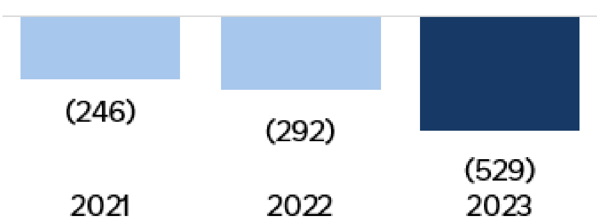
- We participated in the fourth Extraordinary Congress held in Riyadh, Saudi Arabia, to address urgent issues in the postal sector – namely, how to reposition the international postal business against the backdrop of growing commercial competition and opportunities, and significant changes in global customs regimes related to increasing reliance on electronic data.
- We worked intensively with a wide range of bilateral, multilateral and commercial partnerships to identify and pursue new avenues for growth.
- We advanced our ESG and sustainability aspirations, principles of good governance, and regional cooperation.

5. Discussion of Operations

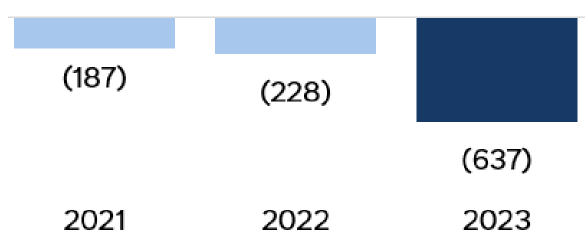
A detailed discussion of our financial performance in 2023.

5.1 Consolidated results from operations

Loss before tax
(in millions of dollars)



Net loss
(in millions of dollars)

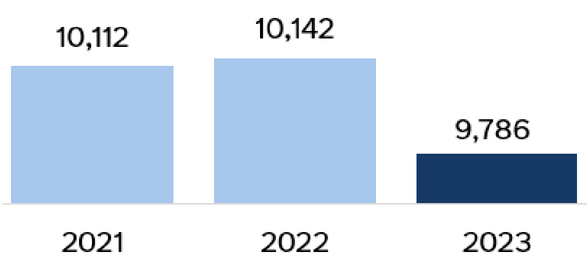


(in millions of dollars)

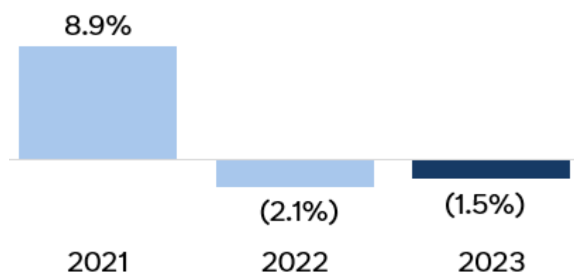
	2023	2022	$ change	% change
Revenue from operations	9,786	10,142	(356)	(3.5)%
Cost of operations	10,317	10,378	(61)	(0.6)%
Loss from operations	**(531)**	**(236)**	**(295)**	**(124.9)%**
Investing and financing expense, net	2	(56)	58	104.8%
Loss before tax	**(529)**	**(292)**	**(237)**	**(81.0)%**
Tax expense (recovery)	108	(64)	172	268.5%
Net loss	**(637)**	**(228)**	**(409)**	**(179.3)%**
Other comprehensive income (loss)	(1,213)	3,582	(4,795)	(133.9)%
Comprehensive income (loss)	**(1,850)**	**3,354**	**(5,204)**	**(155.2)%**

Revenue from operations

Revenue from operations
(in millions of dollars)



Total volume increase (decline)



The Canada Post Group of Companies' 2023 revenue from operations of $9,786 million decreased by $356 million (-3.5%) in 2023, compared to 2022. This decrease is mainly due to declines in all lines of business in the Canada Post segment, and in the Purolator segment, partially offset by increases at the SCI segment.

Cost of operations

The cost of operations declined by $61 million (-0.6%) in 2023 compared to 2022, mainly due to lower operating costs in the Purolator segment and lower employee benefits in the Canada Post and Purolator segments. This decline was partly offset by higher labour costs in the Canada Post and SCI segments, depreciation expense in all segments, and non-capital investments in the Canada Post segment.

Other comprehensive income (loss)

The consolidated other comprehensive loss of $1,213 million was mainly due to remeasurement losses on pension and other post-employment plans due to a decrease in the discount rate, offset by higher-than-expected asset returns.

5.2 Operating results by segment

Segmented results – Profit (loss) before tax

(in millions of dollars)

	2023	2022	2021	2020	2019
Canada Post	(748)	(548)	(490)	(779)	(153)
Purolator	293	317	269	176	152
SCI	14	16	24	20	20
Other	(88)	(77)	(49)	(43)	(42)
Canada Post Group of Companies	**(529)**	**(292)**	**(246)**	**(626)**	**(23)**

5.3 Canada Post segment

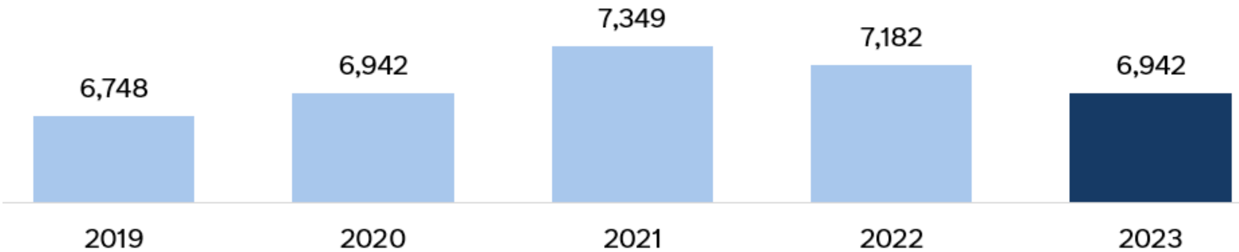
Summary of results

(in millions of dollars)

	2023	2022	$ change	% change
Revenue from operations	6,942	7,182	(240)	(3.3)%
Cost of operations	7,787	7,776	11	0.1%
Loss from operations	**(845)**	**(594)**	**(251)**	**(42.3)%**
Investing and financing income, net	97	46	51	111.6%
Loss before tax	**(748)**	**(548)**	**(200)**	**(36.5)%**

Revenue from operations

(in millions of dollars)



The decrease in revenue from operations of $240 million (-3.3%) was mainly due to growing competition in the ecommerce parcel delivery sector, combined with declining fuel rates and reduced consumer spending. A focus on service improvements in critical lanes contributed to domestic parcel volume gains, particularly in the second half of 2023, while the Canada Post Neighbourhood Mail™ service benefited from the mid-year development and launch of a more environmentally sustainable mail format. Transaction Mail continues to erode.

Revenue and volumes by line of business

	Revenue (in millions of dollars)				Volume (in millions of pieces)			
	2023	2022	$ change	% change	2023	2022	change	% change
Parcels								
Domestic Parcels	2,832	2,924	(92)	(3.2)%	243	230	13	5.8%
Outbound Parcels	300	308	(8)	(2.3)%	12	11	1	4.4%
Inbound Parcels	313	316	(3)	(1.2)%	41	45	(4)	(7.5)%
Other	37	25	12	56.3%	–	–	–	–
Total Parcels	**3,482**	**3,573**	**(91)**	**(2.5)%**	**296**	**286**	**10**	**3.7%**
Transaction Mail								
Domestic Lettermail	2,178	2,296	(118)	(5.2)%	2,114	2,220	(106)	(4.8)%
Outbound Letter-post	68	75	(7)	(7.5)%	31	34	(3)	(7.4)%
Inbound Letter-post	52	53	(1)	(2.0)%	51	59	(8)	(12.8)%
Total Transaction Mail	**2,298**	**2,424**	**(126)**	**(5.2)%**	**2,196**	**2,313**	**(117)**	**(5.0)%**
Direct Marketing								
Canada Post Personalized Mail™	407	425	(18)	(4.3)%	681	727	(46)	(6.2)%
Canada Post Neighbourhood Mail™	387	370	17	4.6%	3,139	3,071	68	2.2%
Total Canada Post Smartmail Marketing™	**794**	**795**	**(1)**	**(0.2)%**	**3,820**	**3,798**	**22**	**0.6%**
Publications Mail™	125	126	(1)	(1.0)%	171	176	(5)	(2.8)%
Business Reply Mail™ and Other Mail	17	18	(1)	(7.6)%	11	11	–	(11.1)%
Other	15	15	–	4.0%	–	–	–	–
Total Direct Marketing	**951**	**954**	**(3)**	**(0.4)%**	**4,002**	**3,985**	**17**	**0.4%**
Other Revenue	211	231	(20)	(8.9)%	–	–	–	–
Total	**6,942**	**7,182**	**(240)**	**(3.3)%**	**6,494**	**6,584**	**(90)**	**(1.4)%**

Parcels

Parcels revenue decreased by $91 million (-2.5%) compared to 2022. We expect the Canadian ecommerce market to double over the next decade, providing a significant opportunity for Canada Post. To capture additional market share, we are actively addressing competitive pressures with a focus on improving service performance, meeting rising consumer expectations, capitalizing on the growing returns business and aligning our services with customer demands for environmental sustainability. Details by product category were as follows:

Domestic Parcels volume increased 5.8% compared to 2022 with traction gained particularly in the second half of the year. We improved service standards in critical lanes, launched competitive offerings, rolled out late induction to major markets, introduced weekend delivery in Montréal mid-year and offered carbon-neutral shipping for ground shipments. Increased volume from online shopping returns positively impacted results as did pilots launched in 2023 for a box-free and label-free returns service and returns auto-tracking. A decrease in fuel surcharges, which are tied to market fluctuations, contributed to year-over-year revenue declines, as did softness in the economy, resulting in decreased consumer spending overall. In 2023, we saw a change in product mix, with more local and lightweight items moving through our network. Aggressive competition from market disruptors and ecommerce merchant rate shopping is contributing to our decline in market share.

Outbound Parcels revenue (postage revenue collected from domestic customers for parcels destined to foreign postal administrations [posts]) was lower than the prior year. Outbound parcel revenue per piece differs by country of destination as well as the sales channel (consumers at retail or commercial customers). In 2023, revenue was negatively impacted by the sales channel and country mix.

Inbound Parcels revenue (fees paid to Canada Post by other posts for delivering mail originating outside of Canada) decreased compared to the prior year. Commercial consolidators are increasingly being used instead of the traditional inbound postal network, resulting in migration of volumes from inbound to domestic channels.

Other Parcels revenue, which mostly comprises fees from the Customs Postal Program, increased in 2023 due to an increase in the number of inbound postal items requiring customs and duties, for which we collect an administration fee per item.

Transaction Mail

Transaction Mail revenue decreased by $126 million (-5.2%) compared to 2022. Details by product category were as follows:

Digital communications continue to replace our traditional Lettermail™ service in this eroding line of business. Revenue for **Domestic Lettermail** was further exacerbated by the Corporations' lack of pricing autonomy, where regulated stamp prices were maintained at 2020 levels through 2023. Prices have fallen significantly behind the rate of inflation, which is having a substantial negative financial impact not only to this eroding line of business but to the business overall. In February 2024, Canada Post published proposed rate increases to Lettermail items, International Letter-post items, and special services and fees in the *Canada Gazette*. Governor-in-Council approval of the new rates is required before they can take effect. In 2023, we improved the customer experience through service enhancements like the launch of MyMail. This enhanced feature within the Canada Post app for iOS users across Canada provides users with advanced notifications about items in transit to their mailbox, and a comprehensive history of previously delivered items.

Outbound Letter-post revenue is collected from domestic customers for mail destined to other posts, while **Inbound Letter-post** revenue is collected by other posts and shared with Canada Post for delivering mail in Canada. Increased use of digital alternatives caused volume and revenue declines compared to 2022 for both streams, however inbound Letter-post revenue benefited from a favourable exchange rate and product mix.

Direct Marketing

Direct Marketing revenue decreased by $3 million (-0.4%) compared to 2022. The advertising industry is undergoing a structural shift, with new players and new technologies such as artificial intelligence (AI) being used by marketers. This shift has resulted in volumes that are below pre-pandemic levels. Details by product category were as follows:

In 2023, **Personalized Mail™** experienced a decline in revenue and volumes, due to the adverse impacts of economic uncertainty resulting in a decline in consumer spending and high inflation. These decreases were offset in part by the introduction of new campaigns and the recovery of volumes from existing customers.

Neighbourhood Mail™ revenue and volumes increased in 2023 from new customer relationships, the development of a more environmentally sustainable mail format, expanded distribution of existing campaigns to additional points of contact, and an upswing in volumes from our existing customers.

Publications Mail revenue and volumes declined slightly due to a continued drop in paper-based subscriptions as digital subscriptions continued to gain popularity.

Business Reply Mail and Other Mail declined slightly compared to 2022, which included revenue from electoral events. **Other products** benefited from the increase in data products subscriptions.

Other revenue

Other revenue decreased by $20 million (-8.9%) in 2023, mainly due to foreign currency exchange losses, the reduced use of consumer products and services, such as mail forwarding, a product tied to the Canadian real estate market, and continued softness in sales of philatelic products.

Cost of operations

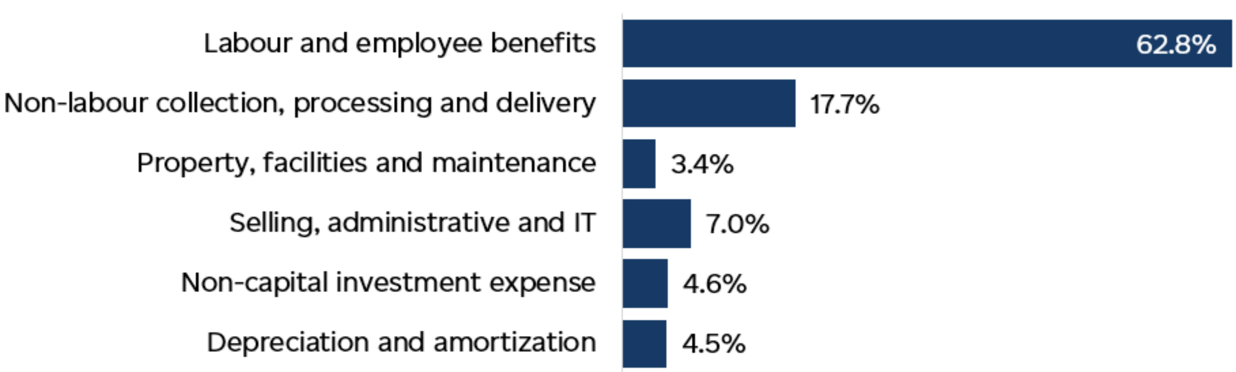
In 2023, the Canada Post segment's cost of operations was relatively flat with increases of $11 million (+0.1%) compared to 2022, mostly due to higher labour costs, non-capital investment expenses, and depreciation expense. This result was partly offset by lower employee benefits driven by an increase in discount rates.

The table and chart below show the breakdown of each cost category as a percentage of revenue and cost of operations. Labour and employee benefit costs consumed 70.4% of revenue from operations and comprised 62.8% of the total cost of operations in 2023, demonstrating the labour-intensive nature of Canada Post's business.

(in millions of dollars)

	For the years ended December 31				Cost as % of revenue from operations	
	2023	**2022**	**$ change**	**% change**	**2023**	**2022**
Labour	3,952	3,710	242	6.5%	56.9%	51.7%
Employee benefits	937	1,341	(404)	(30.2)%	13.5%	18.7%
Total labour and employee benefits	**4,889**	**5,051**	**(162)**	**(3.2)%**	**70.4%**	**70.3%**
Non-labour collection, processing and delivery	1,381	1,360	21	1.6%	19.9%	18.9%
Property, facilities and maintenance	261	259	2	0.5%	3.8%	3.6%
Selling, administrative and IT	544	514	30	5.9%	7.8%	7.2%
Non-capital investment expense	359	269	90	33.4%	5.2%	3.7%
Total other operating costs	**2,545**	**2,402**	**143**	**5.9%**	**36.7%**	**33.4%**
Depreciation and amortization	353	323	30	9.5%	5.1%	4.5%
Total	**7,787**	**7,776**	**11**	**0.1%**	**112.2%**	**108.3%**

Components of operating expenses – 2023



Labour

Labour costs increased by $242 million (+6.5%) compared to 2022, due to wage increases, new leave entitlements and cost of living adjustments.

Employee benefits

(in millions of dollars)

	2023	2022	$ change	% change
Pension	111	558	(447)	(80.1)%
Post-employment health benefits	118	134	(16)	(11.4)%
Other post-employment and other long-term benefits	114	102	12	11.2%
Interest on segregated assets	(15)	(15)	–	3.7%
Total post-employment and other long-term benefits	**328**	**779**	**(451)**	**(57.9)%**
Active employee benefits and other	609	562	47	8.3%
Employee benefits	**937**	**1,341**	**(404)**	**(30.2)%**

Employee benefits decreased by $404 million (-30.2%) compared to 2022, as detailed below:

- The pension expense decreased by $447 million (-80.1%) in 2023, mainly due to the increase in the discount rate used to measure the expense.
- The post-employment health benefits expense decreased by $16 million (-11.4%) in 2023, mainly due to changes in assumptions.
- The other post-employment and other long-term benefits expense increased by $12 million (+11.2%) mainly due to a higher actuarial loss in 2023 compared to 2022, resulting from assumption adjustments.
- The active employee benefits and other expense increased by $47 million (+8.3%) mainly due to increased statutory deductions and insurance costs.

Other operating costs, and depreciation and amortization

Changes in these costs in 2023 compared to 2022 were as follows:

- Contracted collection, processing and delivery costs increased by $21 million (+1.6%), due to higher spending on international settlements and dealer, customs and other fees, partly offset by lower transportation costs.
- Selling, administrative and IT expenses increased by $30 million (+5.9%), mainly due to higher IT services, travel and cost of consumer products.

- Non-capital investment expenses increased by $90 million (+33.4%), due to investments such as the upgrade and enhancement of our end-of-life enterprise resource planning (ERP) system through the Experience Transformation project.
- The depreciation and amortization expense increased by $30 million (+9.5%), mainly due to capital asset investments for the new Albert Jackson Processing Centre.

5.4 Purolator segment

Summary of results

(in millions of dollars)

	2023	2022	$ change	% change
Revenue from operations	2,653	2,834	(181)	(6.4)%
Cost of operations	2,357	2,496	(139)	(5.6)%
Profit from operations	**296**	**338**	**(42)**	**(12.3)%**
Investing and financing expense, net	(3)	(21)	18	86.4%
Profit before tax	**293**	**317**	**(24)**	**(7.4)%**

The Purolator segment's profit before tax decreased by $24 million (-7.4%) compared to 2022. Revenue from operations decreased by $181 million (-6.4%) in 2023, compared to 2022. The decrease primarily relates to softness in ecommerce volumes attributed to general economic uncertainty and high inflation, partly offset by price increases, changes in product mix and sales initiatives.

Labour costs were flat, while employee benefits decreased by $20 million (-8.6%) compared to 2022. Non-labour costs decreased $119 million (-9.0%) compared to 2022, due to adjusting costs to adapt to lower volumes.

We'll make you even better.

5.5 SCI segment

Summary of results

(in millions of dollars)

	2023	2022	$ change	% change
Revenue from operations	354	327	27	8.2%
Cost of operations	336	309	27	9.0%
Profit from operations	**18**	**18**	**–**	**(4.4)%**
Investing and financing expense, net	(4)	(2)	(2)	(70.9)%
Profit before tax	**14**	**16**	**(2)**	**(13.4)%**

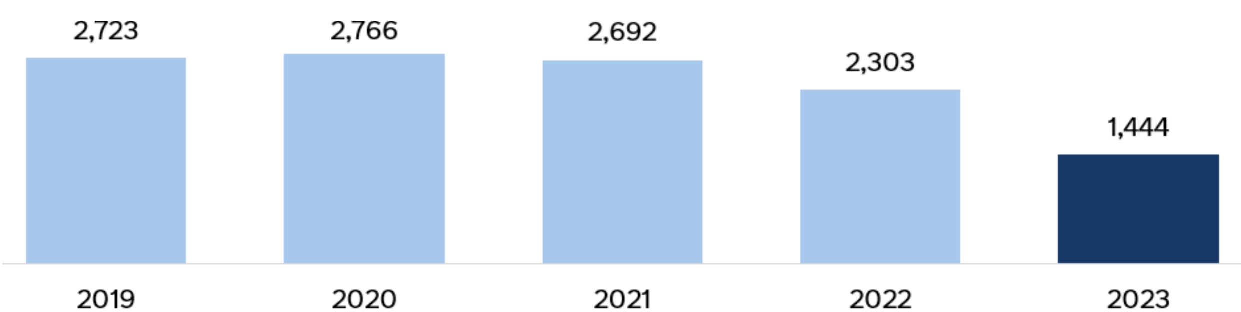
In 2023, SCI's profit before tax decreased by $2 million (-13.4%) compared to the prior year. Volume growth, from new and existing customers, resulted in a net increase in revenue from operations of $27 million (+8.2%) compared to 2022. This growth was accompanied by higher labour and facility occupancy costs, and start-up costs related to new customer implementations. Depreciation and amortization costs also increased, due to higher lease rates on new and renewed right-of-use facility leases. As a result, the cost of operations increased by $27 million (+9.0%) compared to 2022.

6. Liquidity and Capital Resources

A discussion of our cash flow, liquidity and capital resources.

6.1 Cash, cash equivalents and marketable securities

(in millions of dollars)

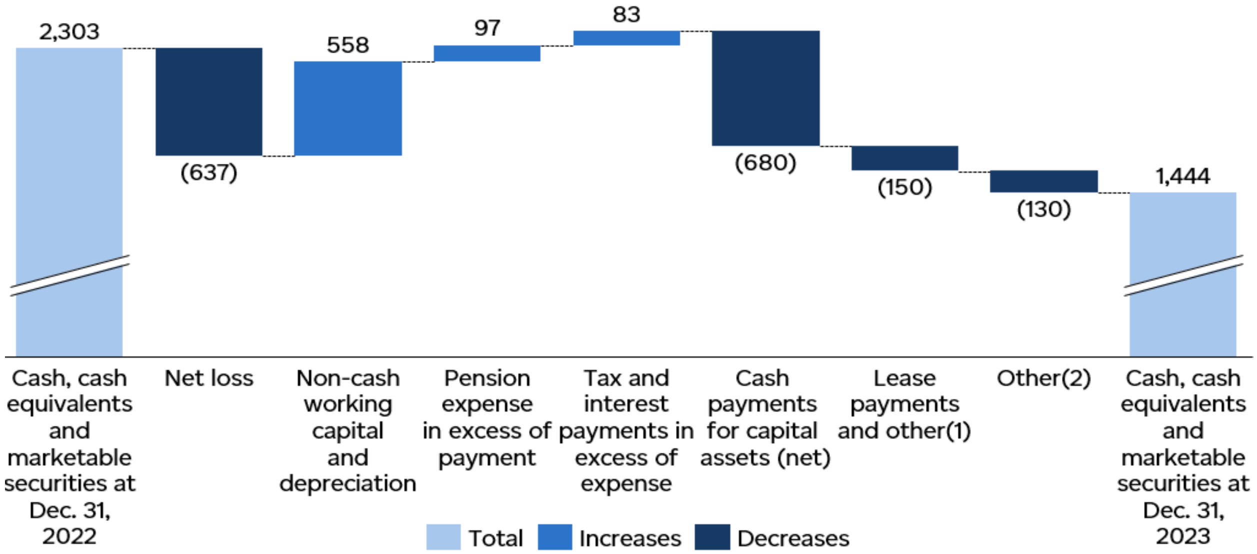


The Group held cash, cash equivalents and marketable securities of $1,444 million at December 31, 2023, compared to $2,303 million as at December 31, 2022. The decrease of

$859 million (-37.3%) was mainly due to operating losses in the Canada Post segment, cash payments for the acquisition of capital assets, the repayment of lease liabilities, and cash related to the disposal groups held for sale accounted for separately from the Group's cash, cash equivalents and marketable securities.

Change in cash, cash equivalents and marketable securities for the year ended December 31, 2023

(in millions of dollars)



1. Includes effect of foreign currency exchange rate changes on cash and cash equivalents.
2. Includes business acquisitions and cash classified in assets of disposal group held for sale.

Marketable securities decreased by $748 million as proceeds of the sale of securities exceeded acquisitions. The decrease of cash and cash equivalents of $111 million (-9.1%) is due to cash used in financing (-$142 million) activities partially offset by cash provided by operating (+$101 million) and investing (+$4 million) activities, as shown below. The decrease was also impacted by the reclassification of $76 million in cash to Assets of disposal groups held for sale (Note 8 of the consolidated financial statements).

Consolidated statement of cash flows

(in millions of dollars)

	2023	2022	$ change	% change	Explanation
Cash provided by operating activities	101	300	(199)	(66.4)%	Higher loss from operations and lower pension expense in excess of payments, primarily from an increase in discount rates, partially offset by the positive change in non-cash working capital.
Cash provided by (used in) investing activities	4	(283)	287	101.5%	Higher proceeds (net of acquisition) of securities, partially offset by higher cash payments for capital assets and Purolator's business acquisition.
Cash used in financing activities	(142)	(133)	(9)	(6.5)%	Higher payments of lease liabilities in the SCI segment.

Capital expenditures

(in millions of dollars)*

	2023	2022	$ change	% change
Canada Post	384	453	(69)	(15.0)%
Purolator	196	189	7	3.2%
SCI	14	9	5	48.8%
Canada Post Group of Companies	**594**	**651**	**(57)**	**(8.8)%**

* Capital expenditures include assets purchased but not yet paid for; they differ from the amount presented as cash payments for capital assets on the Consolidated Statement of Cash Flows.

Canada Post segment

(in millions of dollars)*

	2023	2022	$ change	% change
Capital expenditures	384	453	(69)	(15.0)%
Non-capital investment expense	359	269	90	33.4%
Total investment	**743**	**722**	**21**	**3.0%**

* Capital expenditures include assets purchased but not yet paid for; they differ from the amount presented as cash payments for capital assets on the Consolidated Statement of Cash Flows.

Canada Post segment investments increased by $21 million, with increases in non-capital investments and declines in the capital portion. Capital purchases declined compared to 2022, which included spending on the now-operational Albert Jackson Processing Centre.

Guided by and aligned with the three pillars of our purpose, A Stronger Canada – Delivered, in 2023 we focused on the following:

- Upgraded our enterprise resource planning (ERP) system, bringing modernized technical platforms to various business processes.
- Replenished our fleet and continued exploring clean energy alternatives.
- Replenished outdated street furniture modules and installed parcel lockers.
- Increased and maintained capacity by improving facilities and investing in equipment.
- Continued to modernize our applications, infrastructure and customer-facing platforms.

Throughout 2023, we have worked to transform the company and are committed to the three pillars of our transformation plan over the longer term. However, it is critical in the short term to adjust our investments in line with our immediate priorities and the financial challenges confronting us. Our focus is on prioritizing investments that are required to remain competitive, provide excellent service to Canadians and ensure the safety of our employees. As we navigate through this rapidly changing environment, our plans will adapt accordingly, and it is imperative that we remain flexible and spend prudently.

6.2 Canada Post Corporation Registered Pension Plan

The Canada Post Corporation Defined Benefit Registered Pension Plan (RPP) has assets with a fair value of $30.9 billion as at December 31, 2023, making it one of the largest single-employer sponsored pension plans in Canada. It is required to file annual actuarial valuations with the Office of the Superintendent of Financial Institutions (OSFI) to establish its funded status on a going-concern basis and a solvency basis. If the actuarial valuation reveals a shortfall of assets to liabilities on a going-concern basis, the *Pension Benefits Standards Act, 1985*, (the Act) requires Canada Post, as plan sponsor, to make special payments to the RPP to eliminate this shortfall over 15 years. Where the actuarial valuation reveals a shortfall of assets to liabilities on a solvency basis, aggregate solvency relief is available up to 15% of a plan's solvency liabilities, after which the Act requires the plan sponsor to make special payments to the RPP to eliminate the shortfall over five years.

Solvency relief

As the relief afforded under the regulations of the Act was fully utilized, Canada Post would have been required to make special solvency payments of $354 million for 2023. However, under the *Canada Post Corporation Pension Plan Funding Regulations*, Canada Post has temporary relief from its solvency funding obligations until December 31, 2024.

Funding status

The going-concern and solvency funded positions of the RPP are as follows (in billions of dollars, ratio in percentage):

(in billions of dollars)

	2023[1]		2022	
	$	%	$	%
Going-concern surplus using the smoothed value of RPP assets	7.5	131%	6.5	127%
Solvency surplus using market value of plan assets	2.1	107%	2.2	108%
Solvency surplus (deficit) to be funded using the three-year average solvency ratio basis	0.6	102%	(1.8)	94%

1. The current estimate of the financial position of the RPP as at December 31, 2023, to be filed in 2024.

As the December 31, 2022, going-concern ratio and solvency ratio (using market value of plan assets) of the RPP exceeded legislative thresholds, Canada Post was not permitted to make further employer current service contributions for 2023 after the valuation was filed.

The going-concern position improved during the year, mainly due to a higher discount rate and higher-than-expected asset returns of 8.3% (at market value, excluding administrative and management fees). The solvency surplus (using market value of plan assets) remained relatively flat, decreasing marginally mainly due to a lower discount rate partially offset by higher-than-expected asset returns. As these funded ratios are estimated to continue to exceed legislative thresholds for the Canada Post Registered Pension Plan as at December 31, 2023, Canada Post is expected to continue using the surplus and is not permitted to make regular current service contributions for 2024. The solvency surplus (using the three-year average solvency ratio basis) increased due to the improved solvency position in 2022 and 2023. Final actuarial valuation results may differ significantly from these estimates. The funded position and impacts on regular contributions will be reassessed at the next valuation date.

Contributions and special payments

Contributions and special payments to the defined benefit pension plan are as follows:

(in millions of dollars)

	2024 (estimate)	2023	2022
Employer's current service contributions	–	69	318
Employer's special transfer deficiency payments	–	2	32

Remeasurements

As the RPP sponsor, Canada Post records an accounting remeasurement, net of tax, in other comprehensive income. In 2023, a remeasurement loss, net of tax, for the RPP amounted to $1.0 billion, primarily due to a discount rate decrease offset by higher-than-expected asset returns.

6.3 Liquidity and capital resources

The Group manages capital, which it defines as loans and borrowings, other liabilities (non-current) and equity of Canada. The Corporation's objectives in managing capital include maintaining sufficient liquidity to support financial obligations as well as operating and strategic plans and maintaining financial capacity and access to credit facilities to support future development of the business.

T*he Canada Post Corporation Act* and the *Financial Administration Act* and directives issued pursuant to the Acts affect how the Corporation manages its capital by, among other things, setting broad objectives for the Corporation. Specifically, as it maintains basic postal service and carries out objectives, the Corporation must have regard for the need to conduct operations on a self-sustaining financial basis, while providing a standard of service that meets the needs of the people of Canada.

Liquidity

During 2023, the liquidity required by the Group to support financial obligations, fund capital and strategic requirements was provided by accumulated funds and immediately accessible lines of credit. The Canada Post segment had $1,168 million of unrestricted liquid investments on hand as at December 31, 2023, for a net liquidity position of $170 million (2022 – $923 million), after outstanding loans and borrowings of $998 million (2022 – $998 million). The decline in the segment's net liquidity position of $753 million is due to operating losses and higher costs to expand capacity and sustain the network. The Corporation is carefully managing discretionary costs and investment spending to preserve cash.

The Corporation's subsidiaries had a total of $276 million of unrestricted cash on hand and undrawn credit facilities of $155 million as at December 31, 2023. The Group believes it has sufficient liquidity and authorized borrowing capacity to support its operations for at least, but not limited to, the next 12 months from the reporting date, supporting the Corporation's ability to continue as a going concern.

Access to capital markets

Pursuant to *Appropriation Act No. 4, 2009-10*, borrowing from other than the Government of Canada's Consolidated Revenue Fund is limited to $2.5 billion, including a maximum of $100 million for cash management purposes in the form of short-term borrowings. In addition, pursuant to the *Canada Post Corporation Act*, the Canada Post segment may also borrow a maximum of $500 million from the Government of Canada's Consolidated Revenue Fund. Any additional borrowings must be within the limits of the approved borrowing plan, and their terms and conditions require approval from the Minister of Finance. The Corporation believes that these arrangements provide it with sufficient and timely access to capital markets.

With $998 million of borrowings as at December 31, 2023, the Canada Post segment had $1,502 million of its $2.5 billion external borrowing limit that had not been used. The Corporation funded itself primarily through the use of cash on hand, funds generated from operations during 2023 and the pension plan funding relief permitted by legislation.

6.4 Risks associated with financial instruments

The Group uses a variety of financial instruments to carry out the activities of the business, as summarized in the following table. (in millions of dollars)

	Fair value through OCI	Measured at amortized cost[a]	Total
Cash	–	986	986
Cash equivalents	123	–	123
Marketable securities	335	–	335
Trade, other receivables and contract assets	–	963	963
Segregated securities	398	–	398
Total financial assets	**856**	**1,949**	**2,805**
Non-interest bearing[b]	–	1,274	1,274
Loans and borrowings	–	998	998
Total financial liabilities	**–**	**2,272**	**2,272**

a. The effective interest method is used to determine the amortized cost of these financial assets and liabilities.
b. Non-interest bearing consists of financial liabilities included in trade and other payables and salaries and benefits payable.

Financial assets are held for liquidity purposes or for longer terms in accordance with the investment policies of the Group. Financial liabilities consist mostly of trade payables (non-interest bearing) and bonds.

Market risk

Interest rate risk

The Groups' investments consist of cash equivalents, marketable securities and segregated securities, and are classified as fair value through other comprehensive income (OCI). Substantially all investments are fixed-rate debt securities; therefore, they are exposed to a risk of change in their fair value due to changes in interest rates. The risk is managed by either maintaining a short term to maturity or, in the case of segregated securities, extending terms to maturity to better match certain long-term post-employment obligations to which they are externally restricted. The average duration of the segregated security portfolio was 10 years as at December 31, 2023 (2022 – 10 years).

Based on a sensitivity analysis of interest rate risk, it is expected that an increase or decrease of 1% in market interest rates, with all other variables held constant, would decrease or increase the value of the segregated securities by $40 million (2022 – $37 million), which would represent an impact on the fair value of the Groups' investments at December 31, 2023, and on other comprehensive income or loss.

Loans and borrowings of $998 million include fixed-rate debt with prepayment options.

Commodity risk

The Group is inherently exposed to fuel-price increases but does not currently hold any financial instruments that change in value due to the prices of commodities. Using an industry-accepted practice, it partially mitigates this risk through the use of a fuel-price surcharge tied to market rates on some of its products.

Liquidity risk

Liquidity risk is the risk that a company will not be able to meet its financial obligations as they fall due. The Group manages liquidity risk by maintaining adequate cash reserves, banking facilities and reserve borrowing facilities by monitoring forecasted and actual cash flows and matching the maturity profiles of financial assets and liabilities. Surplus cash is invested into a range of short-term money market securities. The Group invests in high credit quality government or corporate securities in accordance with policies approved by the Board of Directors.

Canada Post currently has pension plan funding relief; however, market volatility could have a significant effect on such payments in future years.

6.5 Contractual obligations and commitments

The following table represents the Groups' contractual obligations to make future payments.

(in millions of dollars)

	Less than 1 year	1-5 years	More than 5 years	Total
Non-interest bearing[a]	1,274	–	–	1,274
Bonds[b]	–	500	500	1,000
Interest on bonds	42	107	262	411
Lease liabilities[c]	138	522	1,486	2,146

a. Non-interest bearing consists of financial liabilities included in trade and other payables and salaries and benefits payable.
b. Bonds constitute direct, unconditional and unsecured obligations of the Corporation and direct, unconditional obligations of the Government of Canada. Bonds include two series issued in July 2010, with a nominal value of $500 million each, maturing in July 2025 and July 2040. Interest is paid semi-annually with coupon rates of 4.08% and 4.36%.
c. Represents contractual undiscounted cash flows for lease payments associated with facilities, vehicles and plant equipment.

Contractual arrangements with third-party suppliers that contain a commitment or fee for the ability to terminate for convenience approximated $125 million at December 31, 2023, for contracts in effect until 2045. These arrangements are excluded from the table above.

6.6 Related party transactions

Government of Canada

The Corporation has transactions with related parties in the normal course of business and in support of the Government of Canada's public policies. Revenue earned from related parties for 2023 was $302 million (2022 – $264 million), the majority of which was from commercial contracts relating to postal services provided to the Government of Canada. Included in this amount was compensation from the Government of Canada for parliamentary mail services and mailing of materials for people who are blind sent free of postage, which amounted to $22 million (2022 – $22 million).

Key management personnel

Key management personnel have authority for planning, controlling and directing the activities of the Group of Companies. Total compensation expenses for key management personnel were $15 million for the year ended December 31, 2023 (2022 – $15 million), which included compensation related to short-term benefits and post-employment benefits.

6.7 Contingent liabilities

In the normal course of business, the Group has entered into agreements that include indemnities in favour of third parties. In addition, the Group has entered into indemnity agreements with each of its directors, officers and certain employees. These agreements generally do not contain specified limits on the Groups' liability. It is not possible to estimate the potential future liability from these indemnities and as such no amount has been accrued in the consolidated financial statements.

7. Changes in Financial Position

A discussion of significant changes in our assets and liabilities between December 31, 2023, and December 31, 2022.

(in millions of dollars)

ASSETS	2023	2022	$ change	% change	Explanation of significant variances
Cash and cash equivalents	1,109	1,220	(111)	(9.1)%	Refer to Section 6 Liquidity and Capital Resources.
Marketable securities	335	1,025	(690)	(67.3)%	Maturities and lower purchases of marketable securities due to lower cash surplus.
Trade, other receivables and contract assets	963	1,053	(90)	(8.6)%	Transfer to assets of disposal groups held for sale and lower receivables in the Purolator segment.
Income tax receivable	6	42	(36)	(86.6)%	Lower recovery from carry-back of non-capital losses for the Canada Post segment.
Other assets	123	139	(16)	(11.7)%	Transfer to assets of disposal groups held for sale and lower prepaid expenses in the Purolator segment, partially offset by higher prepaid expenses in the Canada Post segment.
Assets of disposal groups held for sale	424	–	424	*	Refer to Section 2.1 Our business and Note 8 of the consolidated financial statements.
Total current assets	**2,960**	**3,479**	**(519)**	**(14.9)%**	
Marketable securities	–	58	(58)	(100.0)%	Bonds maturing within the year.
Property, plant and equipment	3,935	3,779	156	4.1%	Acquisitions in excess of depreciation, partially offset by transfer to assets of disposal groups held for sale.
Intangible assets	252	196	56	28.5%	Increase in software under development.
Right-of-use assets	1,285	1,384	(99)	(7.2)%	Transfer to assets of disposal groups held for sale partially offset by acquisitions (new leases and lease renewals) exceeding depreciation in the Canada Post and SCI segments.
Segregated securities	398	373	25	6.7%	Unrealized gains and interest income in the Canada Post segment.
Pension benefit assets	3,471	4,933	(1,462)	(29.6)%	Remeasurement losses in the Canada Post Registered Pension Plan (RPP), primarily from a decrease in the discount rate offset by higher-than-expected return on assets.
Deferred tax assets	–	3	(3)	(100.0)%	
Goodwill	161	130	31	23.6%	

ASSETS		2022	$ change	% change	Explanation of significant variances
Other assets	55	52	3	8.0%	
Total non-current assets	**9,557**	**10,908**	**(1,351)**	**(12.4)%**	
Total assets	**12,517**	**14,387**	**(1,870)**	**(13.0)%**	

(in millions of dollars)

LIABILITIES	2023	2022	$ change	% change	Explanation of significant variances
Trade and other payables	880	1,015	(135)	(13.3)%	Timing and transfer to liabilities directly associated to disposal groups held for sale.
Salaries and benefits payable and related provisions	656	651	5	0.7%	Higher accrued salaries in the Canada Post segment, primarily due to higher labour costs and timing, partly offset by transfer to liabilities directly associated to disposal groups held for sale.
Provisions	63	55	8	14.2%	Increased provisions in the Canada Post and Purolator segments.
Income tax payable	–	2	(2)	(100.0)%	Income tax receivable balance in the Purolator segment, compared to an income tax payable balance in 2022.
Deferred revenue	172	166	6	3.3%	Increase in deferred revenue in the Canada Post segment.
Lease liabilities	94	129	(35)	(26.8)%	Transfer to liabilities directly associated to disposal groups held for sale.
Other long-term benefit liabilities	56	56	–	0.8%	
Liabilities directly associated to disposal groups held for sale	299	–	299	*	Refer to Section 2.1 Our business and Note 8 of the consolidated financial statements.
Total current liabilities	**2,220**	**2,074**	**146**	**7.0%**	
Lease liabilities	1,390	1,454	(64)	(4.4)%	Transfer to liabilities directly associated to disposal groups held for sale partly offset by acquisitions (new leases and lease renewals) net of lease payments in the Canada Post segment.
Loans and borrowings	998	998	–	–	
Pension, other post-employment and other long-term benefit liabilities	3,118	2,847	271	9.5%	Remeasurement losses primarily from a decrease in discount rates on other post-employment plans.
Deferred tax liabilities	169	536	(367)	(68.5)%	Non-capital losses carry forward remeasurement losses on post-employment plans primarily due to a decrease in the discount rate, and a write-down of the deferred tax asset.
Other liabilities	48	46	2	2.9%	
Total non-current liabilities	**5,723**	**5,881**	**(158)**	**(2.7)%**	
Total liabilities	7,943	7,955	(12)	(0.2)%	

EQUITY	2023	2022	$ change	% change	Explanation of significant variances
Contributed capital	1,155	1,155	–	–	
Accumulated other comprehensive income (loss)	4	(10)	14	130.0%	Unrealized gains on segregated securities for dental, term life and death benefit plans in the Canada Post segment.
Retained earnings	3,337	5,214	(1,877)	(36.0)%	Pensions remeasurement losses and operating losses in the Canada Post segment.
Equity of Canada	**4,496**	**6,359**	**(1,863)**	**(29.3)%**	
Non-controlling interests	78	73	5	6.5%	
Total equity	**4,574**	**6,432**	**(1,858)**	**(28.9)%**	
Total liabilities and equity	**12,517**	**14,387**	**(1,870)**	**(13.0)%**	

* The calculation is not mathematically meaningful.

8. Risks and Risk Management

A discussion of the key risks and uncertainties inherent in our business and our approach to managing these risks.

Risk management overview

The objective of enterprise risk management (ERM) is to minimize enterprise-level risks that may affect the Corporation's ability to achieve long-term financial self-sustainability, while achieving its mandate, mission and strategic objectives. As the foundational pillar of this program, the Canada Post segment has established an ERM framework that considers risks and opportunities at all decision-making levels, providing a structured approach to manage the most significant risks to the business.

Within the ERM framework, there is a process to identify, measure, assess, respond to, monitor and report on all enterprise risks. Ongoing risk identification and monitoring enable effective assessment and proactive response to emerging threats. Enterprise risks are measured and assessed using a uniform risk assessment scale that evaluates potential adverse impacts (e.g., financial, operational and reputational consequences) and the likelihood of occurrence over the period covered by our five-year Corporate Plan. Risks are then categorized as low, moderate, high and very high; controlling and mitigating risks that have a higher severity are prioritized. A comprehensive enterprise risk assessment and mitigation review are conducted semi-annually, and they are reported to senior management and the Board of Directors.

ERM provides oversight and consistency across Canada Post's risk management activities, and supports strategy-setting, corporate planning, and the establishment of the Corporation's risk appetite. It reduces organizational uncertainty, enhances resiliency, prioritizes risks to optimize resource allocation, facilitates proactive responses to emerging risks, and ensures ownership and accountability of risk mitigation and controls.

Canada Post is committed to refining and enhancing its ERM processes to ensure completeness, high quality risk assessments, effective management of principal risks, and meaningful discussions among senior leaders. 2023 highlights:

- increased alignment of ERM with strategy-setting;
- implemented risk appetite statements.

Canada Post will continue to integrate risk management best practices to minimize enterprise-level risks.

Risk governance and oversight: Three lines of defence

Canada Post uses a three-lines-of-defence governance structure that establishes and balances centralized oversight of risks with clear accountability and ownership between three distinct organizational functions:

1. **First line of defence:**
    - Management controls and internal control measures with front-end business units, such as customer service, sales, retail and operations.
    - Responsible for adhering to policies, following procedures and managing role-specific risks.
2. **Second line of defence:**
    - Expertise, oversight, monitoring and support to the first line of defence, ensuring effective risk management and compliance.
    - Supported by policies, frameworks, tools and techniques to maintain consistent risk and compliance management within the first line of defence.
3. **Third line of defence:**
    - Comprises an independent risk function responsible for ensuring the effectiveness of the first two lines of defence.
    - Involves internal audit and external evaluators, reporting directly to the board of directors, executives and other key stakeholders.
    - Ensures an unbiased evaluation of risk management practices.

This structure facilitates comprehensive consideration, discussion, and debate of risks, ensuring their integration into business decisions at all levels and functions.

Risk appetite

Canada Post uses judgment to actively manage all risks in alignment with its risk tolerance, which is anchored in its mandate, mission and values. The organization is willing to undertake informed and targeted risks that

- ensure Canada Post's purpose and objects of financial sustainability;
- are understandable and manageable in support of the Corporation's transformational goals;

- foster innovation and improvements to the employee and customer experience;
- will not result in a negative impact to the company's brand and trust with Canadians.

Roles and responsibilities

The Board of Directors is responsible for governing and overseeing the Corporation's principal risk assessment, establishing risk appetite and ensuring management implements appropriate systems to manage risks. The Environmental, Social and Governance Committee governs ERM at Canada Post. The Corporation's Management Executive Committee (MEC) ensures that a regular principal risk assessment is completed and that risk management systems are established, including the ERM team, policy, framework, practice and risk register. MEC oversees risk culture and risk reporting. Each principal risk category is assigned an owner who contributes to risk assessments and manages the day-to-day mitigation efforts. Finally, a dedicated ERM team develops, manages, executes and supports all ERM processes.

8.1 Definition of risk

Any event or condition that might unexpectedly impact the Corporation's ability to achieve its strategic objectives is defined as risk. Risks are evaluated by their potential adverse impact and the likelihood of occurrence. Principal sources of risk and uncertainty facing the Corporation are described below, each with the corresponding controls and mitigation strategies.

8.2 Emerging risks

Economic uncertainty

Risk

Worldwide economic uncertainty and the continued potential for a recession in Canada threaten to impact our business and create challenges, for example:

- reduced retail spending from diminishing consumer confidence and disposable income resulting in lower ecommerce parcel revenue;
- cuts to our customers' marketing budget threaten Canada Post Smartmail Marketing™ volumes;
- investment, global supply chain and labour challenges lead to higher costs and delays to transformation and capital projects;
- continued challenges in retaining talent amid labour market realities (i.e., rising inflation, increased salary expectations, labour market tightness).

Risk mitigation

The prevailing economic uncertainty and the possibility of a recession impact the following principal risks: parcel network capacity, business-to-consumer parcel market competition, core mail volume declines, and talent management. Mitigations for each of these principal risks are below.

8.3 Principal risks

An overarching risk to the Corporation is a mandate from the Government of Canada (its sole shareholder) to fund its operations with revenue from the sale of products and services, rather than with taxpayer funding, and to conduct operations on a financially self-sustaining basis. There are inherent risks in our business model, including rapidly declining Lettermail™ volumes, financial commitments (e.g., funding the pension obligation), investments required to expand the delivery network, and succeeding in a highly competitive parcel industry.

On October 27, 2023, the 2024-28 Corporate Plan (Plan) was submitted to the Government of Canada. The Plan illustrates our challenges, significant recurring financial losses and deteriorating liquidity position. It is critical that discussions between Canada Post and the shareholder continue to align on solutions for financial self-sustainability.

The following categories describe the principal sources of risk and uncertainty facing Canada Post in relation to the three pillars of its strategic plan and overarching purpose, A Stronger Canada – Delivered. All identified risks could have a material impact on the Corporation's financial position, operations or reputation.

Business-to-consumer parcel market competition

Risk

Shifting consumer behaviours, new entrants, competitor initiatives, and challenges in our ability to quickly adapt to market changes could impact our parcel business. Among key concerns:

- low-cost labour models and asset-light delivery models that deliver on heightened consumer expectations for service performance, delivery speed, and flexible delivery options, including weekends, same-day and next-day delivery result in increased global competition;
- competitors are enhancing delivery and return capabilities and partnering with other major competitors to strengthen their value proposition;
- customers continue to shop online and adopt ecommerce marketplace and fulfillment platforms, reducing their direct relationship with Canada Post, resulting in market share erosion, and negative brand impacts;
- environmental concerns are influencing the decisions of consumers and businesses.

Risk mitigation

Focus on the customer experience is critical in our planning and decision-making. Enhancements in service performance, the expansion of late induction in key markets, and the launch of carbon-neutral shipping, for example, are ways we hope to gain market share in this incredibly competitive business. In 2023, we deployed photo confirmation of delivery and automatic tracking of returns, we and are focused on developing other product and service enhancements to pilot, expand or launch in 2024, especially around our returns business. We continue to strengthen our customer-value proposition through continued investment in our network and capacity, and we look for opportunities to innovate our operating model.

With ecommerce set to double in Canada over the next decade, powerful information technology (IT) is essential for the retail economy – and Canada Post. In early 2024, we announced our IT transformation plan that is set to increase our IT flexibility and provide access to the global expertise, which is essential to today's rapidly innovating digital landscape.

Talent management

Risk

Canada Post's ability to compete, grow and innovate is dependent on the ability to attract, engage, develop and retain key talent. Our decision-making autonomy related to compensation of non-union employees is limited by federal regulations for Crown corporations where salary bands have remained frozen for almost a decade, creating inequalities within the workforce, greatly impacting hiring and retention. Competition for talent further exacerbates this risk.

Canada Post has a responsibility to establish a culture of inclusiveness that values diversity, combats racism and addresses systemic barriers. An inability to achieve diversity and inclusion targets will limit the overall strength and effectiveness of the Corporation, a federal entity that serves all Canadians.

Risk mitigation

The Corporation has advocated through its 2024-28 Corporate Plan, that changes to its salary bands in the form of increases to current salary range maximums for Canada Post's non-unionized employees, to bring it in line with the broader public sector, are immediately required. Feedback provided through the 2023 Employee Engagement Survey will be used to better understand employees' development needs and career goals. Talent and succession planning strategies are used to foster employee development and increase the talent pool, while repeated messages are broadly communicated to reinforce the importance of stress management and work-life balance.

Canada Post is committed to identifying and eliminating employment barriers and regularly promotes that it provides an inclusive workplace for employees and Canadians. Focus on preferential hiring for under-represented groups in geographical areas significantly below the Canadian Labour Market Availability (CLMA) and employment policies to foster greater accessibility and inclusion among Indigenous Peoples and people with disabilities are prioritized. Measurement and reporting of equity representation demonstrate the Corporation's transparency and commitment to inclusivity.

Security and privacy: Physical mail, data breaches and fraud

Risk

Canada Post is responsible for safeguarding the security of Canadians' physical mail and ensuring the protection of customer and employee data in its custody.

The Corporation takes the growing threat and frequent instances of cyberattacks and data breaches reported globally very seriously. A significant cyberattack has the potential to affect IT systems, national mail processing equipment and the delivery network. Data breaches and fraudulent use of our products and services could result in financial harm to employees and Canadians.

Overall, this risk may impact the Canada Post brand, increase costs, reduce productivity and lead to regulatory scrutiny, potential legal actions, and a decline in customer confidence.

Risk mitigation

Canada Post has established a robust cyber security foundation to reduce the threat of cyberattacks and ensure remediation of known and unknown threats in an ever-evolving threat landscape. This foundation includes advanced network and endpoint detection and response systems, and tiers of network and system protection. We have a vendor management program focused on the cyber security risks of our supply chain and an advanced email security system to prevent unwanted emails.

Physical and electronic security measures protect mail, information and data; breach and incident management protocols manage data breaches; and regular monitoring and reporting ensure only authorized users access our data.

Anti-fraud corporate governance, policies and procedures ensure effective oversight and management of fraud risks. Measures are in place to detect, monitor and report on proceeds of crime activities. Employee training, simulation testing and security awareness campaigns are undertaken.

Information technology: Transformation project execution

Risk

Canada Post faces risk with the implementation of critical IT projects required for facilitating business transformation. The highly complex and customized nature of the current legacy IT system landscape and its transformation has added significant risk to projects. This risk could potentially result in the inability to achieve planned growth, decreased customer experience and investment cost overrun.

Risk mitigation

Canada Post continues to enhance and make changes to its operating model to improve processes, agility, automation and cross-training. Our IT transformation plan, announced in early 2024, and partnership with a world-class IT leader, will provide access to the global expertise needed to navigate our complex IT environment. Specialized partners are being engaged to support ongoing projects such as the Experience Transformation (XT) project, and a comprehensive risk assessment of Canada Post's IT applications has been conducted.

Labour agreements

Risk

Complex collective agreements continue to constrain Canada Post's ability to compete in a rapidly evolving marketplace and implement changes to its business model, including restrictions on how we can change our delivery model to better meet Canadians' needs, and employee benefit plans, wages and leaves that are above competitor offerings.

Negotiations for new collective agreements between Canada Post and the Canadian Union of Postal Workers (CUPW), representing two bargaining units (CUPW-Urban Postal Operations and Rural and Suburban Mail Carriers), started in the fall of 2023. Canada Post also received a notice to bargain from the Canadian Postmasters and Assistants Association (CPAA) in the fall of 2023 and parties established a timeline for official negotiations to commence in early 2024.

Both rounds of negotiations involve different processes should the parties reach an impasse; in the case of CUPW, the *Canada Labour Code* process allows for the potential for a strike or lockout. In the case of the CPAA, collective agreement provisions require a final offer arbitration process, rather than a strike or lockout.

Given the current stage of negotiations, there is no imminent risk of an impasse. However, a future threat of labour disruption may create uncertainty and lead to unfavourable brand impacts and potential revenue loss.

Risk mitigation

Canada Post's objective during any collective bargaining process is to build a framework for growth, while protecting its financial self-sustainability, in a manner that provides fair and reasonable working conditions to its employees and service to Canadians. To mitigate risks associated with collective bargaining and a potential threat of labour disruption or arbitration, the Corporation may rely on, but not limited to, the following:

- long-term collaborative labour strategy to guide successive rounds of negotiations;

- proactive and continuous efforts to build relationships with all bargaining agents between and during rounds of negotiations, fostering close collaboration to establish a shared understanding of the challenges and opportunities facing the Corporation;
- more streamlined bargaining approaches;
- effective management of customer relationships in the event of a potential disruption, emphasizing transparent communication and a dedicated focus on meeting customer needs.

Parcel network capacity

Risk

We face challenges associated with investment and execution of projects required to build additional infrastructure to ensure that sorting and delivery capacity meets ecommerce market projections. This risk may lead to widespread performance degradation, negative brand impacts, and a loss of customers and volumes.

Risk mitigation

We are shifting toward a parcel-centric network design that includes investment in parcel capacity throughout our national network, including real estate, parcel sortation systems, equipment, automation and ongoing process improvements. Continuous improvements to volume forecasting and planning for peak staffing are prioritized. The Albert Jackson Processing Plant has been operating since Q2 2023 and it delivered a successful peak season at the end of the year. This plant has provided the much-needed capacity in the central regions to scale for the future.

Health and safety

Risk

The physical and psychological safety of employees, visitors, contractors and the public are affected by evolving statutory requirements, lack of employee knowledge and competency on health and safety topics, and unexpected events such as extreme weather.

Health and safety risk is impacted by core processes designed for mail rather than parcels, inconsistent application of standards, employee turnover, lack of rule enforcement, road transport and facility-related risks.

Risk mitigation

The health and safety, and well-being of our employees, customers and the communities we serve, is our number one priority. We believe that all occupational injuries, illnesses and incidents are preventable.

We employ a risk-based approach and continue to transform our culture through a long-term strategy on health and safety management. New high-injury site reduction initiatives were deployed over the course of the year such as the engagement of local joint health and safety committees, implementation of a road safety organization, a disability management strategy and extreme weather events safety protocols. In 2023, as part of our Experience Transformation project, we launched My Care Connect, a new health and safety reporting system for people leaders across the Corporation. Our strategy also incorporates awareness campaigns, training workshops and tools for the management for unexpected events.

Core mail volume declines

Risk

Lettermail experienced its 17th consecutive year of volume decline in 2023. This decline is a result of digital transformations, regulatory changes, ongoing economic uncertainty, mail delivery cost increases and Canadians' changing behaviour. Email and digital platforms are a low-cost, attractive communication alternative for many businesses.

Businesses of all sizes use the Smartmail Marketing™ service to drive marketing results; however, this product line continues to face strong competitive pressure from digital advertising substitutes, as well as direct competitors that distribute printed flyers. Environmental sustainability of unaddressed advertising, particularly related to the use of plastic bags, create the potential for activism and new regulations.

Risk mitigation

In 2023, we introduced MyMail, an enhanced feature in the Canada Post application that provides consumers with a digital notification when items have been delivered. We will continue to evaluate new value-added solutions, such as these, to enhance customer experience.

We are engaging partners through education and training, marketing and selling tools, and referrals to promote the value and use of Smartmail Marketing. Our sales teams are also working closely with our large customers to provide incentive for growth and minimize volume decline. Similarly, our Canada Post Solutions for Small Business™ program helps small businesses access Smartmail Marketing. We continue to invest in modernizing and improving our customer tools and data solutions to bolster our value proposition in market.

Canada Post is developing and implementing strategies to reduce plastic-wrapped mail items and hopes to make significant progress by 2026. To do so, we are working with industry partners and retailers to reduce packaging waste in the mail stream and expand our offering of sustainable packaging and delivery solutions. Canada Post is also a member of the Sustainable Mail Group and is an active supporter of this industry-run group dedicated to transforming the mail industry in Canada to build a better, cleaner future and mitigate public concerns.

Pension obligation

Risk

The size of the Canada Post Corporation Registered Pension Plan (RPP) relative to the Corporation's revenue and earnings, and its funding volatility – poses an ongoing financial risk. Low or declining long-term interest rates and lower than expected returns or losses on assets, create volatility in RPP obligations and funding risk.

Risk mitigation

When funding deficits exist, regulations of the *Pension Benefits Standards Act, 1985,* require that special contributions be made over specified future periods; however, the *Canada Post Corporation Pension Plan Funding Regulations* have allowed temporary relief from its solvency funding obligations until December 31, 2024. For 2023, a solvency surplus remained at year end, relatively stable compared to the prior year.

RPP risks are minimized through measures such as a pension risk management framework to identify and quantify risks; and a revised strategic asset allocation involving reduced public equity exposure and increased exposure to long and real return bonds.

Climate change

Risk

Physical risk – There is a risk that Canada Post may experience major disruptions caused by climate-induced weather events or disasters (e.g., flooding from extreme precipitation and wildfires) and the progressive impacts of climate change (e.g., the increasing number of extreme heat or cooling days and sea-level rise). This risk may lead to an inability to deliver services through disruptions to the physical and digital network, an inability of employees to conduct their work and impacts to the supply chain causing decreases in volumes, revenues and negative brand impacts.

Transition risk – There is a risk that Canada Post will face increased costs as the world makes the transition to a low-carbon economy. Policy actions such as carbon pricing may lead to increases in operating costs, and technology shifts to reduce climate impacts may require large amounts of capital investment in infrastructure and equipment.

Risk mitigation

A climate risk study was conducted to better understand and mitigate key physical and transition risks to Canada Post. In 2024, we will complete a second phase of this study to further enhance our climate risk mitigation strategy. Climate considerations are being embedded into business and decision-making processes throughout the organization. We have begun the shift to a lower-carbon operating model, with the roll out of our first full electric last-mile vehicles and the switch to over 95% renewable electricity in Alberta. We will work to improve resiliency in operations and delivery through response and recovery planning, including incident management, business continuity planning, disaster recovery and emergency management. Oversight for climate-related risks is provided by the Environmental, Social and Governance Committee.

Environmentally sustainable practices

Risk

As a major delivery company operating one of Canada's largest fleets, Canada Post has an important role to play building a sustainable future and is committed to minimizing its environmental impacts. Like other delivery companies, Canada Post is no exception to the risk that its environmental practices may not meet growing expectations of customers, its unions, the Government of Canada and all Canadians. This risk may lead to negative brand impacts, financial impacts related to increasing carbon pricing, operational and network restrictions, and decreases in volumes due to customers shifting to alternate carriers that better align with their sustainability values.

Risk mitigation

Canada Post has established goals and priority actions to reduce the environmental impacts of its operations, including reducing greenhouse gas emissions, reducing waste and promoting circularity, and moving toward more sustainable transport options.

The Corporation's climate strategy involves commitment to a 50% reduction of operational greenhouse gas emissions by 2030 and net zero emissions across its value chain by 2050. This strategy is aligned with the 1.5°C pathway of the Science Based Targets initiative (SBTi). Initiatives to achieve the 2030 goal include electrifying our last-mile fleet, investing in renewable energy, and implementing emission-reduction projects in our buildings. A long-term plan is under development to achieve net-zero emissions by 2050.

Waste reduction is being addressed through the zero-waste program in our facilities to support of our target of diverting 90% of operational waste by 2030. The program includes the installation of new waste and recycling bins, along with clear signage and change management activities, at key facilities across our network. Canada Post is also committed to diverting 90% of construction waste by 2030 and is working with suppliers to ensure plans are in place to achieve this as new building projects are implemented.

We are working with customers and industry to reduce the environmental impacts of the mail that moves through our network. We continue to explore opportunities to reduce the environmental impact of our packaging while ensuring safe, efficient shipping for Canadians.

The Environmental, Social and Governance Committee and a dedicated team of subject-matter experts are in place to lead and manage the Environmental Action Plan.

Other key risks

Other key risks facing the Corporation include legal action, regulatory non-compliance, procurement and organizational resilience and business continuity. The Corporation has effective control mitigation strategies in place for each of these risks.

9. Critical Accounting Policies, Estimates and Judgments

A review of changes in accounting policies in 2023 and future years and critical accounting estimates.

9.1 Accounting policies

Information on Canada Post's accounting policies are provided in Note 3 of Canada Post's audited Consolidated Financial Statements for 2023.

9.2 Critical accounting judgments and estimates

The preparation of the Corporation's consolidated financial statements requires management to make complex or subjective judgments, estimates and assumptions based on existing knowledge that affect reported amounts and disclosures. Actual results may differ from the estimates and assumptions. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects current and future periods. Our significant estimates and judgments are described below. Information on Canada Post's Critical Accounting Estimates and Judgments are provided in Note 4 of Canada Post's audited Consolidated Financial Statements for 2023.

Going concern

Our consolidated financial statements have been prepared on a going-concern basis in accordance with International Financial Reporting Standards (IFRSs), which assumes that the Group will continue in operation for the foreseeable future and will be able to realize its assets and discharge liabilities and commitments in the normal course of business. Management's assessment of the entity's ability to continue as a going concern involves making a judgment, at a particular point in time, about inherently uncertain future outcomes, events or conditions.

The Canada Post segment has experienced cumulative losses before tax over the last six years of $3 billion, which is depleting our cash and cash equivalents, negatively impacting the Corporation's net liquidity position. Management's judgments about capital management, access to borrowing facilities and management of liquidity risks were considered in this assessment, as was alignment with the Government of Canada on solutions for financial self-sustainability. On October 27, 2023, we filed our 2024-28 Corporate Plan (Plan) to the Government of Canada. The Plan presents the significant challenges we are facing with recurring financial losses and deteriorating liquidity position. Canada Post has been operating without an approved corporate plan since 2020.

Capital assets

Capital assets, comprising property, plant and equipment and intangible assets with finite useful lives, are depreciated or amortized over their useful lives. Useful lives, based on management's estimates of the periods of service provided by the assets, are assessed annually for continued appropriateness.

Leases

The Group is party to many contracting arrangements requiring judgment to assess at contract inception, whether such a contract contains a lease or a service, and whether it conveys the right to control the use of an identifiable asset for a period of time in exchange for consideration.

Right-of-use assets are valued using, and depreciated over, their estimated lease term, which is based on management's best estimate of whether it is reasonably certain that renewal and termination options will be exercised in the future. This judgment is based on historical use of available options, operational requirements and strategic decisions about use.

The incremental borrowing rate used to discount lease payments represents management's best estimate of the rate obtained if the underlying asset within the lease contract was purchased and not leased.

Goodwill

Goodwill is not amortized but is tested for impairment annually, or more frequently, if events and circumstances indicate that there may be an impairment. Goodwill is tested by comparing the carrying value of a cash-generating unit to its estimated recoverable amount. The Purolator segment represents a significant portion of the goodwill balance in the consolidated statement of financial position. The estimated recoverable amount of this segment is based on its value in use, which is derived using a discounted cash flow analysis and requires making assumptions and estimates relating to future cash flows and discount rates.

The future cash flows of the Purolator segment are estimated using its approved plans. These plans reflect management's best estimates; however, they are subject to change as they involve inherent uncertainties that management may not be able to control. Growth and profitability levels are compared to other competitors in the industry and general economic conditions prevailing at the valuation date. The discount rate applied to the future cash flows of the Purolator segment is based on its estimated weighted average cost of capital at the valuation date. There were no goodwill impairment charges in 2023 or 2022.

Provisions and contingent liabilities

A provision is an obligation of uncertain timing or amount. Provisions are recognized when the Group has a present legal or constructive obligation as a result of a past event, the outflow of resources to settle the obligation is probable, and the amount can be reliably estimated. A contingent liability is a possible legal or constructive obligation that arises from a past event, or a present legal or constructive obligation that arises from a past event but is not recognized because it is either not probable that an outflow of resources will be required to settle, or a reliable estimate cannot be made. Contingent liabilities are not recognized but disclosed in the notes to the consolidated financial statements.

In determining whether an item is recognized in the financial statements as a provision or disclosed as a contingent liability in the notes, management must exercise judgment such as whether the obligation is a present obligation or a possible obligation, whether it is probable that an outflow of resources will be required to settle and whether a reliable estimate can be made. Furthermore, in determining a reliable estimate of the obligation, management must make assumptions about the amount and likelihood and timing of outflows, and the discount rate to use.

Pension, other post-employment benefits and other long-term benefit plans

The Group sponsors plans that provide pension, other post-employment and other long-term benefits for the majority of its employees. Estimates used in the measurement of these plan obligations are based on complex actuarial calculations using several assumptions and, given their magnitude, differences in actual results or changes in assumptions could materially affect the consolidated financial statements.

Assumptions

Due to the long-term nature of these defined benefit plans, the calculation of defined benefit expenses and obligations depends on various assumptions that require significant judgment and have inherent uncertainties. Significant assumptions determined by management and reviewed by the Canada Post Group of Companies' actuaries include the following:

Discount rates – Set annually at the measurement date, discount rate assumptions are used to determine the present value of the defined benefit obligations at the end of the year and the defined benefit expense for the following year. The discount rate is used to measure the single amount that, if invested at the measurement date in a portfolio of high-quality corporate debt instruments with a rating of AA or better, would provide the necessary cash flows to pay for the defined benefit plans as they become due. Plan-specific discount rates are determined using plan cash flows. The actuaries calculate the discount rates using a yield curve approach based on pricing and yield information for a theoretical portfolio of corporate bonds that provides cash flows reproducing the expected future benefit payments of the plans being valued. The resulting discount rate for that plan is the single equivalent yield on that theoretical portfolio. The actuaries determine future benefit payments based on other assumptions, which include the respective plans' demographics, retirees' profiles and medical trends.

Medical costs – Used in the measurement of certain non-pension defined benefit plans, claims cost assumptions are derived from actual claims experience. Health trend factors or provincial coverage assumptions are supported by third-party studies.

Mortality assumptions – Mortality rates used to determine the majority of the defined benefit obligations are based on the February 2014 Canadian Institute of Actuaries' Final Report on Canadian Pensioners' Mortality (CPM), more specifically the CPM 2014 Private Sector Mortality Table with the CPM improvement scale B. Mortality tables represent the probability of death within a year for plan members of various ages.

Consumer price index – The consumer price index assumption is used in the measurement of the defined benefit obligations for pension benefit plans and some of the other non-pension benefit plans. This assumption is based on long-term expected rates of inflation. The consumer price index also has an impact on the long-term rates of compensation increase.

Sensitivity to assumptions – Canada Post segment

The defined benefit obligation and associated defined benefit expense are sensitive to actuarial assumptions. A lower discount rate results in a higher benefit obligation and a lower funded status. Sensitivity to changes in significant assumptions for the Corporation's principal pension plan and healthcare plan follows (in millions of dollars):

		Annual pension expense	Defined pension obligation	Annual healthcare expense	Defined healthcare obligation
Discount rate sensitivity	0.5% increase in discount rates	(165)	(1,778)	(2)	(134)
	0.5% decrease in discount rates	160	1,946	2	151
Mortality table sensitivity	10% increase in mortality tables	(36)	(620)	(4)	(67)
	10% decrease in mortality tables	37	684	4	74
Consumer price index (CPI) sensitivity	0.25% increase in CPI	54	775	–	–
	0.25% decrease in CPI	(54)	(750)	–	–
Healthcare cost trend rate sensitivity	1% increase in healthcare cost trend rates	–	–	25	361
	1% decrease in healthcare cost trend rates	–	–	(20)	(286)

Income taxes

Determining the provision for income tax requires judgment in interpreting tax legislation and regulations. There are many transactions and calculations for which the ultimate tax determination is uncertain. Our tax filings are subject to audits by relevant government authorities, the results of which could materially change the amounts recorded in our provision for income tax. Management believes that it has sufficient amounts accrued for anticipated tax exposures.

Deferred tax assets and liabilities are composed of temporary differences between the carrying values and the tax bases of assets and liabilities, as well as tax losses carried forward. Deferred tax assets are only recorded to the extent that it is probable that they will be realized. Deferred tax assets and liabilities are calculated using the tax rate substantively enacted for the period when the asset or liability is expected to be recovered or settled. Management judgment is used to determine the amounts of deferred tax assets and liabilities to be recognized. In particular, judgment is required when estimating the amount of future taxable profit, including the reversal of taxable temporary differences, available in future periods against which deductible temporary differences may be utilized.

9.3 Internal controls and procedures

Disclosure controls and procedures

Disclosure controls and procedures are designed to provide reasonable assurance that all relevant information is gathered and reported accurately and on a timely basis, in accordance with established standards and regulations. This information is shared with senior management, including the President and Chief Executive Officer (CEO) and the Chief Financial Officer (CFO), to support decision-making regarding public disclosure for the Group of Companies.

The President and CEO and the CFO have evaluated the effectiveness of the Group of Companies' disclosure controls and procedures related to the preparation of the Management's Discussion and Analysis and the consolidated financial statements. They have concluded that the design and operation of disclosure controls were effective as at December 31, 2023.

Internal control over financial reporting

Internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with International Financial Reporting Standards (IFRSs). The President and CEO and the CFO have assessed the effectiveness of the Group of Companies' internal control over financial reporting as at December 31, 2023, in accordance with the Internal Control – Integrated Framework, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on this assessment, the President and CEO and the CFO have determined that the Group of Companies' internal control over financial reporting was effective as at December 31, 2023. This process aligns with best practices established in National Instrument 52-109 issued by the Canadian Securities Administrators (CSA). As a Crown corporation, Canada Post voluntarily complies with certain rules and regulations of the CSA.

Changes in internal control over financial reporting

There were no changes in internal control over financial reporting during the year ended December 31, 2023, that have materially affected, or are reasonably likely to materially affect, the Corporation's internal control over financial reporting.

10. Outlook for 2024

Our prospects for 2024.

10.1 Global economy and Canada

The Worldbank forecasts global economic growth in 2024 at 2.4% (just above the estimated 2.1% in 2023). The 2024 estimate is slightly more conservative than earlier forecasts due to lagged effects of central bank monetary tightening and credit conditions, which reduce business and residential investment. Advanced economies, such as Canada, are expected to fare relatively better than developing economies.

Canada's gross domestic product (GDP) growth is expected to fall from 1.1% in 2023 to 0.5% growth in 2024 due to higher-than-average interest rates and credit conditions. Higher interest rates have increased the level of interest some Canadians need to pay for loans; including mortgage loans and auto loans. The effect of higher interest rates on consumer spending could extend up to 2026 as households save more to cover higher mortgage debts.

As for Canada's housing market, supply constraints and affordability pressures are expected to continue in the long-term; with record population growth being a notable driver. That said, there are indicators suggesting demand for housing will be suppressed in the short-term as Canadians grapple with higher interest rates. Canadians are not buying as many homes as before the rises in interest rates, according to the sales-to-listings ratio, which remains below its long-term average at national and provincial levels. There is uncertainty as to when the Bank of Canada will begin to lower interest rates, but Canadian consumers and the housing market will be affected in either case.

As Canadians navigate this economic uncertainty, Canada Post may see volatility in all its line of businesses as consumer spending normalizes to historical levels.

	2023	2024 forecast	2025 forecast
Economic (% change)			
Real gross domestic product (GDP)	1.1%	0.7%	2.2%
Inflation (consumer price index [CPI])	3.8%	2.5%	2.0%
Demographic (% change)			
Total population growth	2.8%	1.3%	1.7%
Housing starts growth	(19.1)%	5.6%	5.2%

Sources: Forecasts of GDP, CPI and total points of delivery consider projections from the five major Canadian banks and Bank of Canada. Population growth is per Statistics Canada's quarterly population estimates and long-term forecast M1 scenario. Household starts growth is per the Canada Mortgage and Housing Corporation.

10.2 Our business

Canada Post segment

Over the next decade, the ecommerce parcel market in Canada is expected to double 2023 volumes. This growth represents an opportunity for Canada Post. However, several factors – including our financial challenges, operating without an approved Corporate Plan, and current lack of flexibility in our delivery model – may limit our ability to retain or gain market share. As competition intensifies, we must consider how and where we invest to compete amid the following market pressures:

- Merchants shifting from our network to greater regional and local fulfillment strategies and using local carriers for parcels.
- Seven-day-a-week fulfillment compared to our traditional five-day delivery model.
- Competitors achieving higher residential delivery density, decreasing our ability to compete on price.
- This rise of disruptive parcel returns solutions from competitors, eroding our historically leading market position.

Outside the ecommerce market, we continue to see erosion in our Transaction Mail business, while the number of addresses we deliver to continues to grow. Tremendous change is taking place in the advertising and marketing space, with continuing digital substitution impacting our Direct Marketing products. These factors and others further emphasize that we must continue to transform to become a parcel-centric company while continuing to meet the needs of Canadians and Canadian business.

Our cash and cash equivalents are quickly depleting. While the approval of our longer-term corporate plan to return to financial self-sufficiency will take time, in the short term it is increasingly important for us to act quickly with our shareholder to address the following:

- **Increase regulated Lettermail™ rates, in line with inflation.** Lettermail rates have increased only minimally since 2014 and have been frozen since January 2020. As a result, rates have fallen significantly behind the rate of inflation, which has also had a substantial impact on revenue. In February 2024, Canada Post published proposed rate increases to Lettermail items, International Letter-post items, and special services and fees in the *Canada Gazette*. Governor-in-Council approval is required for these new rates to take effect.
- **Solutions to alleviate our deteriorating liquidity position** as we prioritize 2024 investments that are currently required to compete, deliver great service to Canadians and keep our people safe.
- **Approval of the Corporation's 2024-28 Corporate Plan**, including the 2024 borrowing and leases plan, and 2024 operating and capital budgets contained within, to refresh the Corporation's authorities.

Without dramatic changes to our operating model, developed to serve the bygone paper-based economy, we cannot effectively compete in today's dynamic and competitive ecommerce retail market, resulting in significant impacts on Canadians and Canadian businesses. Canada Post is a vital economic infrastructure built to serve the entire country, but it faces a difficult crossroads that challenges its very future and relevance. It is imperative that we obtain alignment with our shareholder on these short-term initiatives so that we can focus on the structural, strategic changes that are essential to our long-term future, and everything we do for the country we serve.

Historical Financial Information

(unaudited, in millions of Canadian dollars unless otherwise indicated)

OPERATIONS	**2023**	2022	2021	2020	2019
Revenue from operations	**9,786**	10,142	10,112	9,318	8,899
Total cost of operations	**10,317**	10,378	10,308	9,888	8,892
Profit (loss) from operations	**(531)**	(236)	(196)	(570)	7
Percentage of revenue from operations	**(5.4)%**	(2.3)%	(1.9)%	(6.1)%	0.1%
Investing and financing expense, net	**2**	(56)	(50)	(56)	(30)
Loss before tax	**(529)**	(292)	(246)	(626)	(23)
Tax expense (recovery)	**108**	(64)	(59)	(153)	(9)
Net loss	**(637)**	(228)	(187)	(473)	(14)
Other comprehensive income (loss)	**(1,213)**	3,582	4,155	(329)	120
Comprehensive income (loss)	**(1,850)**	3,354	3,968	(802)	106
Net income (loss) attributable to					
Government of Canada	**(652)**	(244)	(201)	(482)	(22)
Non-controlling interests	**15**	16	14	9	8
	(637)	(228)	(187)	(473)	(14)
Comprehensive income (loss) attributable to					
Government of Canada	**(1,863)**	3,334	3,944	(812)	103
Non-controlling interests	**13**	20	24	10	3
	(1,850)	3,354	3,968	(802)	106

STATEMENT OF FINANCIAL POSITION	**2023**	2022	2021	2020	2019
Assets					
Current	**2,960**	3,479	3,778	4,003	3,734
Segregated securities	**398**	373	482	537	514
Capital assets	**4,187**	3,975	3,642	3,301	3,066
Right-of-use assets	**1,285**	1,384	1,326	1,221	1,113
Pension benefit assets	**3,471**	4,933	1,450	25	75
Deferred tax assets	**–**	3	572	1,883	1,659
Other assets	**216**	240	266	239	366
Total assets	**12,517**	14,387	11,516	11,209	10,527
Liabilities and equity					
Current	**2,220**	2,074	2,029	2,165	1,901
Pension, other post-employment and other long-term benefit liabilities	**3,118**	2,847	3,969	7,601	6,498
Other liabilities	**2,605**	3,034	2,433	2,321	2,200
Non-controlling interests	**78**	73	60	41	35
Equity of Canada	**4,496**	6,359	3,025	(919)	(107)
Total liabilities and equity	**12,517**	14,387	11,516	11,209	10,527

ADDITIONS TO CAPITAL ASSETS	**2023**	2022	2021	2020	2019
Land and buildings	**88**	86	47	74	160
Other capital assets	**526**	570	630	498	431
	614	656	677	572	591

Historical Financial Information

(unaudited, in millions of Canadian dollars, unless otherwise indicated / trading day adjusted percentage)

LINE OF BUSINESS DIMENSIONS REVENUE FROM OPERATIONS	2023	% change	2022	% change	2021	% change	2020	% change	2019
Parcels									
Domestic Parcels	**2,832**	**(3.2)%**	2,924	0.8%	2,912	9.5%	2,681	29.1%	2,068
Outbound Parcels (to other postal administrations)	**300**	**(2.3)%**	308	(6.3)%	329	9.7%	302	24.2%	243
Inbound Parcels (from other postal administrations)	**313**	**(1.2)%**	316	(22.4)%	409	(4.5)%	432	7.2%	401
Total – Parcels	**3,445**	**(2.9)%**	3,548	(2.4)%	3,650	7.7%	3,415	25.4%	2,712
Other	**37**	**56.3%**	25	11.3%	22	14.5%	19	(17.0)%	23
Canada Post segment	**3,482**	**(2.5)%**	3,573	(2.3)%	3,672	7.8%	3,434	25.0%	2,735
Purolator segment	**2,653**	**(6.2)%**	2,830	9.0%	2,606	19.1%	2,205	13.5%	1,936
SCI segment	**354**	**8.2%**	327	(5.5)%	348	6.6%	329	(5.2)%	346
Elimination of intersegment	**(161)**		(199)		(191)		(157)		(127)
Canada Post Group of Companies	**6,328**	**(3.1)%**	6,531	1.9%	6,435	11.6%	5,811	18.4%	4,890
Transaction Mail									
Domestic Lettermail	**2,178**	**(5.2)%**	2,296	(2.6)%	2,368	2.2%	2,335	(8.5)%	2,540
Outbound Letter-post (to other postal administrations)	**68**	**(7.5)%**	75	(4.8)%	78	(5.0)%	83	(13.8)%	96
Inbound Letter-post (from other postal administrations)	**52**	**(2.0)%**	53	8.3%	48	(25.5)%	66	(16.2)%	78
Canada Post segment	**2,298**	**(5.2)%**	2,424	(2.4)%	2,494	1.2%	2,484	(8.9)%	2,714
Elimination of intersegment	**(2)**		(2)		(2)		(2)		(2)
Canada Post Group of Companies	**2,296**	**(5.2)%**	2,422	(2.4)%	2,492	1.2%	2,482	(8.9)%	2,712
Direct Marketing									
Canada Post Personalized Mail™	**407**	**(4.3)%**	425	5.8%	404	11.6%	365	(25.1)%	485
Canada Post Neighbourhood Mail™	**387**	**4.6%**	370	4.3%	356	26.8%	283	(29.7)%	401
Total – Canada Post Smartmail Marketing™	**794**	**(0.2)%**	795	5.1%	760	18.2%	648	(27.2)%	886
Publications Mail™	**125**	**(1.0)%**	126	(0.2)%	127	(0.4)%	129	(12.0)%	146
Business Reply Mail™ and Other mail	**17**	**(7.6)%**	18	(4.7)%	19	1.8%	19	(5.9)%	20
Total – Mail	**936**	**(0.4)%**	939	4.1%	906	14.8%	796	(24.6)%	1,052
Other	**15**	**4.0%**	15	(7.8)%	16	17.5%	13	0.4%	14
Canada Post segment / Group of Companies	**951**	**(0.4)%**	954	3.9%	922	14.8%	809	(24.3)%	1,066
Other revenue									
Canada Post segment	**211**	**(8.9)%**	231	(10.7)%	261	22.1%	215	(8.2)%	233
Purolator segment	**–**	**(107.4)%**	4	112.8%	2	179.4%	1	135.3%	(2)
Canada Post Group of Companies	**211**	**(10.7)%**	235	(9.7)%	263	22.6%	216	(7.0)%	231
Revenue from operations									
Canada Post segment	**6,942**	**(3.3)%**	7,182	(1.9)%	7,349	6.7%	6,942	2.5%	6,748
Purolator segment	**2,653**	**(6.4)%**	2,834	9.1%	2,608	19.2%	2,206	13.7%	1,934
SCI segment	**354**	**8.2%**	327	(5.5)%	348	6.6%	329	(5.2)%	346
Innovapost and elimination of intercompany	**(163)**		(201)		(193)		(159)		(129)
Canada Post Group of Companies	**9,786**	**(3.5)%**	10,142	0.7%	10,112	9.4%	9,318	4.3%	8,899

Historical Financial Information

(unaudited, in millions of pieces unless otherwise indicated / trading day adjusted percentage)

LINE OF BUSINESS DIMENSIONS	2023	% change	2022	% change	2021	% change	2020	% change	2019
VOLUME									
Parcels									
Domestic Parcels	**243**	**5.8%**	230	(17.2)%	279	(3.9)%	292	30.9%	222
Outbound Parcels (to other postal administrations)	**12**	**4.4%**	11	(13.6)%	13	1.7%	13	31.2%	10
Inbound Parcels (from other postal administrations)	**41**	**(7.5)%**	45	(34.7)%	69	(17.3)%	84	(5.0)%	88
Canada Post segment	**296**	**3.7%**	286	(20.4)%	361	(6.6)%	389	21.0%	320
Purolator segment	**156**	**(8.3)%**	170	(2.4)%	174	8.7%	162	14.8%	140
Elimination of intersegment	**(9)**		(11)		(13)		(12)		(8)
Canada Post Group of Companies	**443**	**(0.3)%**	445	(14.5)%	522	(2.4)%	539	18.7%	452
Transaction Mail									
Domestic Lettermail	**2,114**	**(4.8)%**	2,220	(6.6)%	2,386	(1.1)%	2,432	(9.7)%	2,683
Outbound Letter-post (to other postal administrations)	**31**	**(7.4)%**	34	(5.2)%	35	(8.1)%	39	(15.2)%	45
Inbound Letter-post (from other postal administrations)	**51**	**(12.8)%**	59	3.6%	57	(16.7)%	69	(29.6)%	98
Canada Post segment	**2,196**	**(5.0)%**	2,313	(6.3)%	2,478	(1.6)%	2,540	(10.5)%	2,826
Elimination of intersegment	**(1)**		(2)		(2)		(2)		(2)
Canada Post Group of Companies	**2,195**	**(5.0)%**	2,311	(6.3)%	2,476	(1.6)%	2,538	(10.5)%	2,824
Direct Marketing									
Personalized Mail	**681**	**(6.2)%**	727	3.2%	706	9.8%	648	(27.1)%	886
Neighbourhood Mail	**3,139**	**2.2%**	3,071	2.2%	3,016	22.9%	2,474	(28.8)%	3,461
Total – Smartmail Marketing	**3,820**	**0.6%**	3,798	2.4%	3,722	20.2%	3,122	(28.5)%	4,347
Publications Mail	**171**	**(2.8)%**	176	(3.2)%	182	(1.7)%	187	(13.5)%	215
Business Reply Mail and Other mail	**11**	**(11.1)%**	11	(7.5)%	14	(4.4)%	14	(9.3)%	16
Canada Post segment / Group of Companies	**4,002**	**0.4%**	3,985	2.1%	3,918	18.8%	3,323	(27.7)%	4,578
Total volume									
Canada Post segment	**6,494**	**(1.4)%**	6,584	(2.2)%	6,757	8.9%	6,252	(19.4)%	7,724
Purolator segment	**156**	**(8.3)%**	170	(2.4)%	174	8.7%	162	14.8%	140
Elimination of intersegment	**(10)**		(13)		(15)		(14)		(10)
Canada Post Group of Companies	**6,640**	**(1.5)%**	6,741	(2.1)%	6,916	8.9%	6,400	(18.8)%	7,854
EMPLOYMENT[1]									
Canada Post segment	**68,318**	**0.8%**	67,763	(1.0)%	68,447	0.4%	68,153	3.4%	65,891
Purolator segment	**13,012**	**(1.6)%**	13,222	(2.3)%	13,533	5.5%	12,833	10.0%	11,670
SCI segment	**1,941**	**3.4%**	1,877	3.6%	1,811	(25.4)%	2,429	3.8%	2,341
Innovapost business unit	**811**	**6.2%**	764	(0.3)%	766	(7.0)%	824	(2.1)%	842
Canada Post Group of Companies	**84,082**	**0.5%**	83,626	(1.1)%	84,557	0.4%	84,239	4.3%	80,744
MAIL NETWORK									
Post offices	**5,789**	**(1.4)%**	5,873	(1.1)%	5,941	(1.4)%	6,026	(1.0)%	6,084
Points of delivery (in thousands)	**17,397**	**1.2%**	17,194	1.3%	16,976	1.3%	16,750	1.2%	16,547
Pickup points (in thousands)[2]	**974**	**0.4%**	971	0.8%	964	(1.2)%	975	2.3%	953

1. Includes paid full-time and part-time Canadian employees, including temporary, casual and term employees.
2. Includes rural mailboxes, which are collection points for customers with this mode of delivery.

Independent Auditor's Report on Annual Cost Study Contribution Analysis

To the Board of Directors of Canada Post Corporation

Scope

We have been engaged by Canada Post Corporation (the "Corporation") to perform a 'reasonable assurance engagement,' as defined by Canadian Standards on Assurance Engagements, here after referred to as the engagement, to report on Canada Post Corporation's Annual Cost Study Contribution Analysis (the "Subject Matter" or "Annual Cost Study") and management's assertion in Note 1 (the "Assertion") that the Corporation did not cross-subsidize its competitive grouping of services (Competitive services) with revenues from the exclusive privilege grouping of services (Exclusive privilege services) for the year ended December 31, 2023.

Criteria applied by Canada Post Corporation

In preparing the Subject Matter, the Corporation applied the Annual Cost Methodology (the "Criteria"). Such Criteria were specifically designed to measure the long-run incremental cost of individual services and groups of services; as a result, the subject matter information may not be suitable for another purpose.

Canada Post Corporation's responsibilities

Canada Post Corporation's management is responsible for selecting the Criteria, and for presenting the Subject Matter in accordance with the Criteria, in all material respects. This responsibility includes establishing and maintaining internal controls, maintaining adequate records and making estimates that are relevant to the preparation of the subject matter, such that it is free from material misstatement, whether due to fraud or error.

EY's responsibilities

Our responsibility is to express an opinion on the presentation of the Subject Matter based on the evidence we have obtained.

We conducted our engagement in accordance with the Canadian Standard for Assurance Engagements Other Than Audits or Reviews of Historical Financial Information ('CSAE 3000'). This standard requires that we plan and perform our engagement to obtain reasonable assurance about whether, in all material respects, the Subject Matter is presented in accordance with the Criteria, and to issue a report. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risk of material misstatement, whether due to fraud or error.

We believe that the evidence we have obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

Our Independence and Quality Management

We have complied with the relevant rules of professional conduct / code of ethics applicable to the practice of public accounting and related to assurance engagements, issued by various professional accounting bodies, which are founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies Canadian Standard on Quality Management 1, *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements*, which requires us to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Description of procedures performed

Our procedures included:

- Conducted interviews with relevant personnel to understand the business and reporting process during the reporting period, including the process for collecting, collating and reporting the subject matter
- Checked that the calculation criteria have been correctly applied in accordance with the methodologies outlined in the Criteria
- Inspected relevant documentation of the financial system and processes for compiling, analyzing, and aggregating data in the reporting period and testing such documentation on a sample basis
- Read and evaluated selected material qualitative statements in applicable sections of the Annual Cost Study for plausibility and consistency
- We also performed such other procedures as we considered necessary in the circumstances.

Other Matters

Non-financial information, such as the underlying operational data, is subject to more inherent limitations than financial information, given the more qualitative characteristics of the underlying operational data and the methods used for determining such information. The absence of a significant body of established practice on which to draw allows for the selection of different but acceptable evaluation techniques which can result in materially different evaluation.

We have not audited, reviewed or performed any procedures on the Entity's operational systems and special studies that yield operational data used to allocate costs to products and therefore we do not provide any assurance on such matters. Our opinion is not modified in respect of the other matters.

Opinion

In our opinion:

- the Subject Matter for the period from January 1, 2023, to December 31, 2023, is presented, in all material respects, in accordance with the Criteria.
- based on the Annual Cost Methodology, management's assertion included in the notes to the Annual Cost Study that the Entity did not cross-subsidize its Competitive services with revenues from Exclusive privilege services, for the year ended December 31, 2023, is fairly stated, in all material respects.

Specific Purpose of the Annual Cost Study

The Annual Cost Study is prepared to demonstrate, in accordance with the applicable Criteria, that Competitive services have not been cross-subsidized using revenues from Exclusive privilege services. The Annual Cost Study has been evaluated against the applicable Criteria. As a result, the Annual Cost Study may not be suitable for another purpose.

Ernst & Young LLP

Chartered Professional Accountants
Licensed Public Accountants

March 21, 2024
Ottawa, Canada

Annual Cost Study Contribution Analysis

Canada Post Corporation

The Annual Cost Study Contribution Analysis calculates the long-run incremental contribution from Exclusive privilege services, Competitive services, Concessionary services and Other services. The long-run incremental contribution is defined as the revenue from such services, less their long-run incremental cost.

Annual Cost Study Contribution Analysis

Long-run incremental contribution from Exclusive privilege, Competitive, Concessionary and Other services

The following analysis is based on the assignment of 61% of the total non-consolidated costs of Canada Post Corporation to individual services or groups of services (in millions of Canadian dollars, unless otherwise indicated).

Year ended December 31, 2023	Exclusive privilege services[1]	Competitive services[2]	Concessionary services[3]	Other services[4]	**Total**
Revenue from operations	2,468	4,198	24	252	6,942
Long-run incremental costs	(1,613)	(2,992)	(24)	(154)	(4,783)
Long-run incremental contribution	**855**	**1,206**	**–**	**98**	**2,159**
Percentage of revenue	35%	29%	0%	39%	31%
Unallocated fixed costs					(3,004)
Contribution before the undernoted items					**(845)**
Investment and other income					162
Finance costs and other expense					(65)
Loss before tax – Canada Post segment					**(748)**

1. Services provided by Canada Post pursuant to its sole and exclusive privilege (with some exceptions) of collecting, transmitting and delivering letters to the addressee thereof within Canada, in accordance with the *Canada Post Corporation Act* and Regulations.
2. Services provided by Canada Post in the competitive marketplace that do not fall within Canada Post's exclusive privilege pursuant to the *Canada Post Corporation Act*.
3. Services provided by Canada Post, on behalf of the Government of Canada, either free of charge or at reduced rates. The Government of Canada provides compensation to Canada Post in respect of some of these services.
4. Services classified by Canada Post as not being in the Exclusive privilege, Competitive or Concessionary groupings of services.

The accompanying notes are an integral part of the Annual Cost Study Contribution Analysis.

Notes to Annual Cost Study Contribution Analysis

Year ended December 31, 2023

1. Basis of Preparation

The Annual Cost Study Contribution Analysis provides costing data that serve as the basis for ensuring that Canada Post Corporation is not competing unfairly by cross-subsidizing its Competitive services with revenues from Exclusive privilege services.

In conjunction with external experts, Canada Post Corporation maintains a costing methodology based on the principles of long-run incremental costs, which was designed to leverage the structure of an activity-based costing system. Canada Post Corporation applies this methodology each year in its Annual Cost Study Contribution Analysis for cost attribution purposes (Annual Cost Methodology).

The Annual Cost Methodology, which is summarized in Note 2, recognizes that some costs are caused by the provision of individual services or groups of services, while others are common costs of Canada Post Corporation's infrastructure.

Under the Annual Cost Methodology, a positive long-run incremental contribution from the Competitive grouping of services (Competitive services) establishes that this grouping of services has not been cross-subsidized using revenues from the Exclusive privilege grouping of services (Exclusive privilege services). As the Annual Cost Study Contribution Analysis indicates, Competitive services generated a positive long-run incremental contribution, and therefore, Canada Post Corporation did not cross-subsidize its Competitive services using revenues protected by Exclusive privilege services for the year ended December 31, 2023.

2. Annual Cost Methodology

(a) **Long-run incremental cost** – The Annual Cost Methodology employed by Canada Post Corporation measures the long-run incremental cost of individual services and groups of services. Long-run incremental cost is the total annual cost caused by the provision of a service.

(b) **Activity-based** – Services provided by Canada Post Corporation are analyzed to determine the various activities involved in their fulfillment. Each activity is then analyzed to determine the causal relationship between the costs of the activity and the services that require the performance of that particular activity. Service volumes or other data are used to attribute those activity costs to services.

(c) **Attribution principles** – The relationship between the cost of resources and the activities performed, and the relationship between the activities performed and the services delivered are identified using the principles of causality and time horizon. Those activity costs, which are incurred because of the provision of a service, are attributed to that service. Activity costs that cannot be attributed to the provision of a service but are common to a specific group of services, are attributed at that higher level of aggregation. The remaining business-sustaining and common fixed costs are unallocated fixed costs.

(d) **Source data** – The source of the financial data used to produce the Annual Cost Study Contribution Analysis is the Canada Post Corporation general ledger revenues and costs. Operational time, volume and weight/cubage data are used to attribute general ledger costs to activities and activity costs to services. Operational volume data are used to determine revenue by services. Where operational data are not available, an appropriate proxy is used to make the attribution.

(e) **Reconciliation with financial records** – Total revenues and costs considered in the Annual Cost Study Contribution Analysis are reconciled with the total revenues and expenses forming the Canada Post segment of the audited consolidated financial statements.

(f) **Cross-subsidization test** – Under the Annual Cost Methodology in the Annual Cost Study Contribution Analysis, a positive long-run incremental contribution (revenue exceeds long-run incremental cost) from Competitive services establishes that this grouping of services has not been cross-subsidized using revenues from Exclusive privilege services.

Management's Responsibility for Financial Reporting

Management is responsible for the consolidated financial statements and all other information presented in this Annual Report. These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards and include amounts based on management's best estimates and judgments. Financial information presented elsewhere in this Annual Report is consistent with the consolidated financial statements.

In support of its responsibilities, management has established and maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded from loss or unauthorized use and to produce reliable financial information in accordance with the *Financial Administration Act* and regulations, as well as the *Canada Post Corporation Act* and regulations, by-laws of the Corporation, and Government of Canada directives. On a risk basis, internal audits examine and evaluate the application of the Corporation's policies and procedures and the adequacy of the system of internal controls.

The Board of Directors' Audit Committee acts on behalf of the Board in fulfilling its responsibilities, which are prescribed by section 148 of the *Financial Administration Act*. The Audit Committee, consisting of six members who are independent in accordance with the Corporation's standards of independence, meets not less than four times a year, focusing on the areas of financial reporting, risk management and internal control. It is responsible for reviewing the consolidated financial statements and the Annual Report, and for meeting with management and internal and external auditors to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues.

The Board of Directors, on the recommendation of the Audit Committee, approves the consolidated financial statements.

Canada Post Corporation is a Crown corporation included in Part I of Schedule III of the *Financial Administration Act*. The Auditor General of Canada and Ernst & Young LLP were appointed as joint auditors of the Corporation for the year ended December 31, 2023, in accordance with the *Financial Administration Act*. The Auditor General of Canada and Ernst & Young LLP audit the consolidated financial statements and report to the Audit Committee of the Board of Directors, as well as to the Minister of Public Services and Procurement.

President and Chief Executive Officer

Chief Financial Officer

March 21, 2024

Office of the
Auditor General
of Canada

Bureau du
vérificateur général
du Canada

Building a better
working world

Independent Auditors' Report

To the Minister of Public Services and Procurement

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Canada Post Corporation and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at December 31, 2023, and the consolidated statement of comprehensive income (loss), consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2023, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter

We draw attention to Note 4 (a.1) of the consolidated financial statements which states that Canada Post Corporation has been operating without an approved corporate plan since 2020 and discloses critical judgments around the potential impact of the financial challenges facing Canada Post Corporation and its ability to conduct its operations on a self-sustaining financial basis. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditors' report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Compliance with Specified Authorities

Opinion

In conjunction with the audit of the consolidated financial statements, we have audited transactions of Canada Post Corporation and its wholly-owned subsidiaries coming to our notice for compliance with specified authorities. The specified authorities against which compliance was audited are Part X of the *Financial Administration Act* and regulations, the *Canada Post Corporation Act* and regulations, the by-laws of Canada Post Corporation and its wholly-owned subsidiaries, and the directives issued pursuant to section 89 of the *Financial Administration Act*.

In our opinion, the transactions of Canada Post Corporation and its wholly-owned subsidiaries that came to our notice during the audit of the consolidated financial statements have complied, in all material respects, with the specified authorities referred to above. Further, as required by the *Financial Administration Act*, we report that, in our opinion, the accounting principles in IFRSs have been applied on a basis consistent with that of the preceding year.

Responsibilities of Management for Compliance with Specified Authorities

Management is responsible for Canada Post Corporation and its wholly-owned subsidiaries' compliance with the specified authorities named above, and for such internal control as management determines is necessary to enable Canada Post Corporation and its wholly-owned subsidiaries to comply with the specified authorities.

Auditors' Responsibilities for the Audit of Compliance with Specified Authorities

Our audit responsibilities include planning and performing procedures to provide an audit opinion and reporting on whether the transactions coming to our notice during the audit of the consolidated financial statements are in compliance with the specified authorities referred to above.

Etienne Matte, CPA, CA
Principal
for the Auditor General of Canada

Ernst & Young LLP

Chartered Professional Accountants
Licensed Public Accountant

Ottawa, Canada
March 21, 2024

Consolidated Statement of Financial Position

(in millions of Canadian dollars)

ASSETS	As at December 31, 2023	As at December 31, 2022
Current assets		
Cash and cash equivalents (Note 7)	**1,109**	1,220
Marketable securities (Note 7)	**335**	1,025
Trade, other receivables and contract assets (Note 19)	**963**	1,053
Income tax receivable	**6**	42
Other assets	**123**	139
Assets of disposal groups held for sale (notes 8, 27)	**424**	–
Total current assets	**2,960**	3,479
Non-current assets		
Marketable securities (Note 7)	**–**	58
Property, plant and equipment (Note 9)	**3,935**	3,779
Intangible assets (Note 9)	**252**	196
Right-of-use assets (Note 9)	**1,285**	1,384
Segregated securities (Note 7)	**398**	373
Pension benefit assets (Note 11)	**3,471**	4,933
Deferred tax assets (Note 12)	**–**	3
Goodwill (Note 13)	**161**	130
Other assets	**55**	52
Total non-current assets	**9,557**	10,908
Total assets	**12,517**	14,387

LIABILITIES AND EQUITY	As at December 31, 2023	As at December 31, 2022
Current liabilities		
Trade and other payables (Note 14)	**880**	1,015
Salaries and benefits payable	**656**	651
Provisions	**63**	55
Income tax payable	**–**	2
Deferred revenue	**172**	166
Lease liabilities (Note 17)	**94**	129
Other long-term benefit liabilities (Note 11)	**56**	56
Liabilities directly associated with disposal groups held for sale (notes 8, 27)	**299**	–
Total current liabilities	**2,220**	2,074
Non-current liabilities		
Lease liabilities (Note 17)	**1,390**	1,454
Loans and borrowings (Note 16)	**998**	998
Pension, other post-employment and other long-term benefit liabilities (Note 11)	**3,118**	2,847
Deferred tax liabilities (Note 12)	**169**	536
Other liabilities	**48**	46
Total non-current liabilities	**5,723**	5,881
Total liabilities	**7,943**	7,955

LIABILITIES AND EQUITY		As at December 31, 2022
Equity		
Contributed capital	**1,155**	1,155
Accumulated other comprehensive income (loss) (Note 24)	**4**	(10)
Retained earnings	**3,337**	5,214
Equity of Canada	**4,496**	6,359
Non-controlling interests	**78**	73
Total equity	**4,574**	6,432
Total liabilities and equity	**12,517**	14,387
Contingent liabilities (Note 15)		
Commitments (Note 20)		

The accompanying notes are an integral part of these consolidated financial statements.

Approved on behalf of the Board of Directors:

Chair of the Board of Directors

Chair of the Audit Committee

Consolidated Statement of Comprehensive Income (Loss)

(in millions of Canadian dollars)

	For the year ended December 31, 2023	For the year ended December 31, 2022
Revenue from operations (Note 21)	**9,786**	10,142
Cost of operations		
Labour	**5,132**	4,867
Employee benefits (Note 10)	**1,182**	1,604
	6,314	6,471
Other operating costs (Note 22)	**3,489**	3,452
Depreciation and amortization (Note 9)	**514**	455
Total cost of operations	**10,317**	10,378
Loss from operations	**(531)**	(236)
Investing and financing income (expense)		
Investment and other income (Note 23)	**95**	43
Finance costs and other expense (notes 16, 17, 23)	**(93)**	(99)
Investing and financing income (expense), net	**2**	(56)
Loss before tax	**(529)**	(292)
Tax expense (recovery) (Note 12)	**108**	(64)
Net loss	**(637)**	(228)
Other comprehensive income (loss) (Note 24)		
Items that may subsequently be reclassified to net profit (loss)		
Change in unrealized fair value of financial assets	**14**	(70)
Foreign currency translation adjustment	**–**	1
Item never reclassified to net profit (loss)		
Remeasurements of defined benefit plans	**(1,227)**	3,651
Other comprehensive income (loss)	**(1,213)**	3,582
Comprehensive income (loss)	**(1,850)**	3,354
Net loss attributable to		
Government of Canada	**(652)**	(244)
Non-controlling interests	**15**	16
	(637)	(228)
Comprehensive income (loss) attributable to		
Government of Canada	**(1,863)**	3,334
Non-controlling interests	**13**	20
	(1,850)	3,354

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

(in millions of Canadian dollars)

For the year ended December 31, 2023	**Contributed capital**	**Accumulated other comprehensive income (loss)**	**Retained earnings**	**Equity of Canada**	**Non-controlling interests**	**Total equity**
Balance at December 31, 2022	**1,155**	**(10)**	**5,214**	**6,359**	**73**	**6,432**
Net profit (loss)	**–**	**–**	**(652)**	**(652)**	**15**	**(637)**
Other comprehensive income (loss) (Note 24)	**–**	**14**	**(1,225)**	**(1,211)**	**(2)**	**(1,213)**
Comprehensive income (loss)	**–**	**14**	**(1,877)**	**(1,863)**	**13**	**(1,850)**
Transactions with shareholders – Dividend	**–**	**–**	**–**	**–**	**(8)**	**(8)**
Balance at December 31, 2023	**1,155**	**4**	**3,337**	**4,496**	**78**	**4,574**

For the year ended December 31, 2022	Contributed capital	Accumulated other comprehensive income (loss)	Retained earnings	Equity of Canada	Non-controlling interests	Total equity
Balance at December 31, 2021	1,155	59	1,811	3,025	60	3,085
Net profit (loss)	–	–	(244)	(244)	16	(228)
Other comprehensive income (loss) (Note 24)	–	(69)	3,647	3,578	4	3,582
Comprehensive income (loss)	–	(69)	3,403	3,334	20	3,354
Transactions with shareholders – Dividend	–	–	–	–	(7)	(7)
Balance at December 31, 2022	1,155	(10)	5,214	6,359	73	6,432

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

(in millions of Canadian dollars)

	For the year ended December 31, 2023	For the year ended December 31, 2022
Operating activities		
Net loss	**(637)**	(228)
Adjustments to reconcile to cash provided by (used in) operating activities:		
Depreciation and amortization (Note 9)	**514**	455
Pension, other post-employment and other long-term benefit expense (Note 11)	**406**	884
Pension, other post-employment and other long-term benefit contributions and payments (Note 11)	**(309)**	(626)
Loss on sale of capital assets and assets held for sale (Note 23)	**–**	1
Tax expense (recovery) and other items affecting net income tax receivable (Note 12)	**108**	(64)
Net interest (income) expense (Note 23)	**(2)**	41
Change in non-cash operating working capital:		
Decrease (increase) in trade and other receivables	**97**	(84)
(Decrease) increase in trade and other payables	**(47)**	69
Increase (decrease) in salaries and benefits payable	**5**	(49)
Increase (decrease) in provisions	**6**	(7)
Net decrease (increase) in other non-cash operating working capital	**4**	(31)
Other income not affecting cash, net	**(21)**	(2)
Cash provided by operating activities before interest and tax	**124**	359
Interest received	**110**	55
Interest paid	**(90)**	(83)
Tax paid	**(43)**	(31)
Cash provided by operating activities	**101**	300
Investing activities		
Acquisition of securities	**(593)**	(1,101)
Proceeds from sale of securities	**1,343**	1,393
Cash payments for capital assets	**(682)**	(585)
Proceeds from sale of capital assets and assets held for sale	**2**	2
Business acquisitions, net of cash acquired	**(56)**	–
Other investing activities, net	**(10)**	8
Cash provided by (used in) investing activities	**4**	(283)
Financing activities		
Payments of lease liabilities	**(130)**	(124)
Dividend paid to non-controlling interests	**(8)**	(7)
Other financing activities, net	**(4)**	(2)
Cash used in financing activities	**(142)**	(133)
Net decrease in cash and cash equivalents	**(37)**	(116)
Cash and cash equivalents, beginning of year	**1,220**	1,331
Effect of exchange rate changes on cash and cash equivalents	**2**	5
Cash and cash equivalents, end of year[1]	**1,185**	1,220

1. Cash and cash equivalents of $1,109 million presented in the consolidated statement of financial position exclude $76 million of cash transferred to the assets of disposal groups held for sale (Note 8).

The accompanying notes are an integral part of these consolidated financial statements.

Notes to Consolidated Financial Statements

December 31, 2023

1. Incorporation, Business Activities and Directives

Established by the *Canada Post Corporation Act* in 1981, Canada Post Corporation (Corporation) is a Crown corporation included in Part I of Schedule III of the *Financial Administration Act* and is an agent of His Majesty. The Corporation's head office is located at 2701 Riverside Drive, Ottawa, Ontario, Canada.

The Corporation operates a postal service for the collection, transmission and delivery of messages, information, funds and goods, both within Canada and between Canada and places outside Canada. While maintaining basic customary postal services, the *Canada Post Corporation Act* requires the Corporation to carry out its statutory objects, with regard to the need to conduct its operations on a self-sustaining financial basis, while providing a standard of service that will meet the needs of the people of Canada and that is similar with respect to communities of the same size.

Under the *Canada Post Corporation Act*, the Corporation has the sole and exclusive privilege (with some exceptions) of collecting, transmitting and delivering letters to the addressee thereof within Canada.

In December 2006, the Corporation was issued a directive pursuant to section 89 of the *Financial Administration Act* to restore and maintain its mail delivery at rural roadside mailboxes that were serviced by the Corporation September 1, 2005, while respecting all applicable laws. The Corporation's assessment of the safety risks related to rural roadside mailboxes was completed at the end of 2013, and applicable corrective measures were implemented over the course of the assessment, as required.

The Corporation is subject to a directive that was issued in December 2013, and a related subsequent directive that was issued in June 2016, pursuant to section 89 of the *Financial Administration Act* to obtain Treasury Board approval before fixing the terms and conditions of employment of non-unionized employees who are not appointed by the Governor in Council. Treasury Board approvals were obtained, where necessary.

In July 2015, the Corporation was issued a directive pursuant to section 89 of the *Financial Administration Act* to align its travel, hospitality, conference and event expenditure policies, guidelines and practices with Treasury Board policies, directives and related instruments in a manner that is consistent with the Corporation's legal obligations, and to report on the implementation of the directive in the Corporation's next Corporate Plan. The Corporation aligned its travel, hospitality, conference and event expenditure policies, guidelines and practices with those of the Treasury Board in 2018, and will continue to report on the status of this directive in its Corporate Plans.

2. Regulation of Customer Postage Rates

The Corporation establishes customer postage rates for Domestic Lettermail and U.S. and international letter-post items as well as fees for certain services such as Domestic Registered Mail through regulations under the *Canada Post Corporation Act* (Act). These regulations are subject to approval by the Government of Canada, the sole shareholder and, therefore, a related party of the Corporation. The Act states that regulated postage rates must be fair and reasonable, and consistent so far as possible with providing revenue, together with any revenue from other sources, sufficient to defray costs incurred by the Corporation in the conduct of its operations under the Act. The Act permits the Corporation to offer rates that differ from regulated rates under certain circumstances, such as when the customer agrees to prepare a mailing in bulk or in a manner that facilitates its processing. Revenue from products and services charged to customers at regulated rates comprises 6% (2022 – 6%) of the Canada Post segment revenue.

The Act requires that proposed changes to regulated rates be published in the *Canada Gazette* to provide interested persons with a reasonable opportunity to make representations to the Minister responsible for the Corporation. These representations are considered by the Corporation's Board of Directors when determining the final form of the proposed rate changes. Once approved by the Board of Directors, the regulations are submitted to the Minister responsible for Canada Post Corporation for approval by the Government of Canada, specifically the Governor in Council. Regulations are deemed approved 60 days after the Clerk of the Privy Council receives them for submission to the Governor in Council for consideration, unless the Governor in Council previously approved or refused to approve them.

The Corporation maintained regulated prices for stamps and Registered Mail™ items at 2020 levels through 2021, 2022 and 2023. In February 2024, Canada Post published proposed rate increases to Lettermail™ items, International Letter-post items, and special services and fees in the *Canada Gazette*. Governor-in-Council approval of the new rates is required prior to them taking effect.

Under the provisions of the *Canada Post Corporation Act*, the Corporation is required to provide services free of charge for certain Government of Canada mailings and for the mailing of materials for persons who are blind. The Government of Canada provides compensation to the Corporation in respect of these services (Note 25 [a]).

3. Basis of Presentation and Material Accounting Policy Information

Statement of compliance – The Corporation has prepared its consolidated financial statements in compliance with International Financial Reporting Standards (IFRSs) issued and effective as at the reporting date. These consolidated financial statements were approved and authorized for issue by the Board of Directors March 21, 2024.

Basis of presentation – The consolidated financial statements have been prepared on a historical cost basis as set out in the accounting policies below, except as permitted by IFRSs and as otherwise indicated within these notes. Amounts are shown in millions, unless otherwise noted.

Functional and presentation currency – These consolidated financial statements are presented in Canadian dollars. The Canadian dollar is the functional currency of the Group of Companies.

Material accounting policy information – A summary of the material accounting policy information used in these consolidated financial statements is set out below. The accounting policies have been applied consistently to all periods presented.

(a) **Basis of consolidation** – These consolidated financial statements include the accounts of the Corporation and its subsidiaries, Purolator Holdings Ltd. (Purolator), SCI Group Inc. (SCI) and Innovapost Inc. (Innovapost). The Corporation, Purolator, SCI and Innovapost are collectively referred to as the "Canada Post Group of Companies," the "Group of Companies" or the "Group." Details of the Corporation's material subsidiaries at December 31, 2023, are set out below.

Name of subsidiary	Principal activity	Place of incorporation	Place of operation	Proportion of ownership interest held directly or indirectly
Purolator Holdings Ltd.	Transportation and courier services	Canada	Canada and United States	91%
SCI Group Inc.	Logistics and transportation services	Canada	Canada	99%
Innovapost Inc.	IS/IT services	Canada	Canada	98%

(b) **Financial instruments** – Financial assets are measured at fair value at initial recognition, and subsequently measured at amortized cost, at fair value through other comprehensive income or at fair value through profit or loss. This classification is based on the business model and the contractual cash flow characteristics. After initial recognition at fair value, the financial asset is not reclassified, unless there is a change in the business model used for managing the financial assets. Financial assets are derecognized when rights to receive cash flows from assets have expired or have been transferred, and substantially all risks and rewards of ownership are transferred.

All financial liabilities are classified as financial liabilities at amortized cost, or at fair value through profit and loss if they are held for trading or designated as such. Financial liabilities cannot be reclassified and are derecognized when the contractual obligation is discharged, cancelled or has expired.

Financial assets and financial liabilities are classified and subsequently measured as follows:

Financial instrument	Classification	Subsequent measurement
Cash	Amortized cost	Amortized cost
Cash equivalents	Fair value through other comprehensive income	Fair value
Marketable securities	Fair value through other comprehensive income	Fair value
Segregated securities	Fair value through other comprehensive income	Fair value
Trade and other receivables	Amortized cost	Amortized cost
Derivative assets and liabilities	Fair value through profit or loss	Fair value
Trade and other payables	Amortized cost	Amortized cost
Salaries and benefits payable	Amortized cost	Amortized cost
Loans and borrowings	Amortized cost	Amortized cost

(b.1) Financial Assets at fair value through other comprehensive income

The Corporation's financial assets at fair value through other comprehensive income are debt instruments with cash flows consisting solely of payments of principal and interest. Unrealized changes in fair value are recognized as they occur in other comprehensive income.

Cash equivalents consist of investments with maturities of three months or less from the date of acquisition and are recognized at the settlement date.

Marketable securities consist of investments in debt securities with maturities of three years or less at the date of acquisition and are recognized at the settlement date. Marketable securities with maturities exceeding 12 months at acquisition are classified as non-current.

Segregated securities are intended to be held to fund specific restricted benefit plans and consist of investments that are managed by either collecting contractual cash flows or selling financial assets. These debt securities are recognized at the settlement date. Interest income and realized gains and losses on sale of investments are included in the employee benefit expense.

Impairment – The Corporation estimates a 12-month expected credit loss impairment provision using historical default rates implied from external credit agencies for similar grade debt securities. If impaired, unrealized changes in fair value recorded in other comprehensive income are reclassified, for cash equivalents and marketable securities, to investment and other income or, for segregated securities, to employee benefit expense, which are both recorded within net profit or loss.

(b.2) Financial assets at amortized cost

Trade and other receivables are initially recognized at their transaction price if these are in scope of IFRS 15 or at fair value and subsequently measured at amortized cost using the effective interest method, less any impairment due to expected credit loss.

Impairment – The expected credit loss allowance is estimated using a simplified approach that requires the use of lifetime expected credit losses. The allowance for other receivables not in scope for IFRS 15 is estimated using 12-month expected credit losses unless there is deterioration in credit risk since initial recognition, in which case the allowance is estimated based on the lifetime expected credit losses. Lifetime expected losses are estimated using a combination of historical write-off percentages and forward-looking information used to identify a deterioration of credit, either at the company or macro-economic level. The amount of the allowance is the difference between the receivable's gross carrying amount and the estimated future cash flows. Credit losses and subsequent recoveries are recognized in other operating costs.

(b.3) Financial liabilities at amortized cost

Trade and other payables and salaries and benefits payable are initially recognized at fair value. After initial recognition, trade and other payables and salaries and benefits payable are measured at amortized cost using the effective interest method. Where the time value of money is not significant due to short-term settlement, financial liabilities are carried at payment or settlement amounts.

Loans and borrowings are initially recognized at fair value, net of transaction costs. After initial recognition, loans and borrowings are measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account transaction costs and any discount or premium. The interest expense on loans and borrowings is recognized in finance costs and other expense.

(b.4) Fair value measurement

Fair values used to measure or disclose amounts in these consolidated financial statements are categorized into different levels in a fair value hierarchy based on inputs to the valuation technique as follows:

- Level 1: Fair value is based on unadjusted quoted prices in active markets for identical financial instruments.
- Level 2: Fair value is based on valuation techniques using inputs other than quoted prices included in level 1 that are observable, either directly or indirectly, including inputs and quoted prices in markets that are not considered to be active. Financial assets and liabilities are measured by discounting future cash flows, making maximum use of directly or indirectly

observable market data, such as interest rates with similar terms and characteristics and yield curves and forward market prices from interest rates and credit spreads of identical or similar instruments.
- Level 3: Fair value is based on valuation techniques using unobservable market inputs requiring management's best estimate.

The fair values of cash, trade and other receivables, trade and other payables, and salaries and benefits payable approximate their carrying values due to their expected short-term settlement.

(c) **Capital assets** – Property, plant and equipment and intangible assets are referred to collectively as capital assets. Capital assets acquired or developed internally are initially measured at cost (at the component level, if applicable) and are subsequently measured at cost less accumulated depreciation or amortization and any accumulated impairment losses. The cost of all capital assets (at the component level, if applicable and excluding land and assets under construction), less their estimated residual value, is amortized over the asset's estimated useful life, as described in the table below. Depreciation or amortization commences when assets are available for use.

Type of capital asset or component	Depreciation or amortization method	Depreciation or amortization period or rate
Buildings	Straight-line	10 to 65 years
Leasehold improvements	Straight-line	Shorter of lease term or the asset's economic useful life
Plant equipment	Straight-line	3 to 20 years
Vehicles:		
Passenger	Declining balance	Annual rate of 30%
Other	Straight-line	7 to 12 years
Sales counters, office furniture and equipment	Straight-line	3 to 10 years
Other equipment	Straight-line	3 to 20 years
Software, including internally generated software	Straight-line	3 to 5 years
Brand and other	Straight-line	3 to 5 years

The appropriateness of depreciation or amortization methods and useful life estimates and residual values is assessed annually and revised on a prospective basis.

(d) **Borrowing costs** – Borrowing costs consist primarily of interest expense calculated using the effective interest method. Borrowing costs are recognized in finance costs and other expense in the period in which they are incurred.

(e) **Revenue from contracts with customers** – Revenue is derived primarily from providing products and services represented by three distinct lines of business: Parcels, Transaction Mail and Direct Marketing. Parcels include regular parcels, all expedited delivery and courier services, as well as transportation and third-party logistics services. Transaction Mail includes physical delivery of bills, invoices, notices and statements. Direct Marketing includes Canada Post Personalized Mail™, Canada Post Neighbourhood Mail™ and Publications Mail™, such as newspapers and periodicals.

(e.1) Legally enforceable contracts – Revenue from these lines of business is generally subject to master service agreements, statements of work and/or customer guides that depict terms and conditions, which become legally enforceable rights and obligations when parcels and mail are inducted into the delivery network or when a delivery or service request is received.

(e.2) Performance obligation and allocation – Delivery of parcels or mail is generally the only performance obligation in contracts with customers. This performance obligation sometimes includes other services (i.e. pickup, transportation, signature, proof of identity, etc.) that are integrated by the network to create a bundle of services and represent one combined output or performance obligation the customer has contracted. In limited circumstances, when the right to consideration from a customer corresponds directly with the value to the customer of the service transferred to date, revenue is recognized in the amount to which it has a right to invoice the customer. The Group applied the practical expedient to not disclose information about remaining performance obligations that have an original expected duration of one year or less and for performance obligations where revenue is recognized in the amount to which it has a right to invoice the customer.

(e.3) Transaction price – Revenue is measured based on the value of the expected consideration in a contract with a customer and excludes sales taxes and other amounts collected on behalf of third parties. Certain customer contracts contain customary discounts or rebates, performance bonuses, refunds for sales with right of return or other consideration that can increase or decrease the transaction price. Most of these forms of variable consideration are contingent on meeting certain volume or revenue thresholds or other performance metrics. These amounts are included in revenue to the extent it is probable that a significant reversal of cumulative revenue recognized will not occur. Due to the short-term nature of customer contract payment terms, there is no significant financing component.

(e.4) Revenue recognition – Revenue is generally recognized over time due to the continuous transfer of control to the customers. Customers receive the benefit of delivery services over a short delivery cycle. Basic warranties for lost, damaged or missing content, as well as warranties for on-time delivery are not sold separately and are therefore accounted for in accordance with IAS 37 “Provisions, Contingent Liabilities and Contingent Assets.”

Other revenue is derived from mail redirection, data products and services, philatelic products and other retail products and services such as money orders and postal box rentals. Other revenue is typically provided over a short period, less than one year, and recognized over time. For some other retail products, revenue is recognized at a point in time.

The Group may enter into arrangements with subcontractors, mostly resellers and delivery agents, to provide services to customers. If the Group acts as the principal in such an arrangement, the amount billed to the customer is recognized as revenue. Otherwise, the net amount retained, which is the amount billed to the customer less the amount paid to the subcontractor, is recognized as revenue.

(e.5) **Contract costs** consist mostly of costs to obtain contracts such as fees or commissions paid to resellers to sell products and services on its behalf. The Group of Companies applies the practical expedient, which allows it to recognize the incremental cost of obtaining contracts as an expense when incurred if the amortization of the asset would have otherwise been less than one year.

(e.6) **Contract liabilities** include payments received or amounts billed for which there is an unconditional right to consideration before services or goods are transferred to the customer. These include payments from meter customers, which are deferred based on a sampling methodology that closely reflects the meter-resetting practices of customers and payments for mail redirection services deferred over the term of the contract, generally four to 12 months. Deferred revenue also includes amounts billed for delivery services prior to delivery or amounts billed to resellers for postal product shipments prior to rendering of related services to customers. Contract liabilities are presented as current in deferred revenue or as non-current in other liabilities based on the nature of the transaction.

(e.7) **Refund liabilities** include volume-based rebates expected to be refunded to the customer when an established sales volume is reached. Refund liabilities are presented as a current liability in trade and other payables.

(f) Pension, other post-employment and other long-term benefit plans

(f.1) **Defined benefit pension and other post-employment plans** – Obligations for providing defined benefit pension and other post-employment benefits are recognized over the period of employee service. Defined benefit obligations and related estimated costs are determined at least annually, or when a plan amendment, curtailment or settlement occurs, on an actuarial basis using the projected unit credit method. Actuarial calculations include actuarial assumptions about demographic and financial variables, such as the discount rates, inflation rate, rates of compensation increase, retirement age, growth rates of healthcare and dental costs, rates of employee disability and mortality tables.

Discount rates used to establish defined benefit obligations are determined by reference to market conditions at year's end using the yield curve approach, based on a theoretical portfolio of AA-rated corporate bonds with maturities consistent with timing of expected future benefit payments. Separate discount rates are used to reflect the different timing of benefit payments for past service (the defined benefit obligation) and future service (the current service cost).

Remeasurements of defined benefit plans are recognized in other comprehensive income and arise from actuarial gains and losses on defined benefit obligations, the difference between the actual return (net of costs of managing plan assets) and interest income on plan assets, and the change in the effect of the asset ceiling (net of interest), if applicable. Remeasurements are included immediately in retained earnings or accumulated deficit without subsequent reclassification to net profit or loss.

(f.2) Other long-term employee benefits – Other long-term employee benefits primarily include the top-up credits available to eligible employees while on short-term disability or injury-on-duty leave, workers' compensation benefits and the continuation of benefits for employees on long-term disability. The same methodology and assumptions as for post-employment benefit plans are applicable, except for the following:

- The obligation for providing workers' compensation benefits and the continuation of certain benefits for employees on long-term disability is recognized when the event triggering the obligation occurs.
- Management's best estimate includes top-up credit utilization experience as well as the experience and assumptions for provincial workers' compensation boards.
- Other long-term benefit liabilities are segregated between current and non-current components on the consolidated statement of financial position.

(g) Income taxes – Deferred tax assets (DTAs) and liabilities (DTLs) are recognized for the tax effect of the difference between carrying values and tax bases of assets and liabilities. DTAs are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related benefit will be realized. The Group offsets DTAs and DTLs if it has a legally enforceable right and amounts relate to income taxes levied by the same taxation authority on the same taxable entity.

(h) Leases – A contract is, or contains, a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. At inception, the Group assesses whether a contract is, or contains, a lease.

The Group has elected not to recognize right-of-use assets and lease liabilities for short-term leases for all right-of-use asset classes that have a lease term of 12 months or less and leases of low-value assets, such as computer hardware and office equipment. For all other leases, right-of-use asset and a corresponding lease liability are recognized.

(h.1) Right-of-use assets – Assets that are leased, but the right to control the assets is conveyed in contracts, are referred to collectively as right-of-use assets.

Right-of-use assets have been categorized in defined portfolios, or classes, based on the nature of the underlying asset and the existence of non-lease components: land, buildings – net, buildings – gross, vehicles and plant equipment. A net lease specifies base rent, while the lessee's share of operating costs is recognized as an expense in the period incurred. In a gross lease, the landlord is responsible for at least some costs associated with the maintenance and operation of the lease, and the lessee's base or gross rent includes these non-lease components. The Group has elected not to separate non-lease components in gross leases for buildings using the practical expedient under IFRS 16.

At the commencement date of leases, when the underlying right-of-use asset is made available, right-of-use assets are recognized at cost, which comprise the initial measurement of the lease liability, any lease payments made at or before the commencement date less any lease inducements. Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses, and are adjusted for any remeasurements of the lease liability due to a lease modification. Depreciation is calculated over the lease term of the underlying asset and is recognized on a straight-line basis. Impairment losses are recognized in profit or loss.

(h.2) Lease liabilities – Obligations that arise from lease contracts are collectively referred to as lease liabilities. At the commencement date, lease liabilities are initially measured at the present value of lease payments that are not paid at that date. Fixed lease payments, including fixed base rent increases, are included in the initial measurement of the lease liability.

(h.3) Discount rate – Lease payments are discounted using the incremental borrowing rate (IBR), since the rate implicit in leases cannot be readily determined. The IBR is based on Government of Canada bond yields adjusted for entity-specific financing spreads.

(h.4) Modifications – A lease modification is often triggered upon execution of a lease extension when there is a change in future lease payments, duration of the lease or a change in the assessment of renewal or termination options. Upon modification, the lease liability is remeasured using revised discount rate, terms and conditions, with a corresponding adjustment to the right-of-use asset.

(i) Disposal groups held for sale

The Corporation classifies disposal groups as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Costs to sell are the incremental costs directly attributable to the disposal of an asset (disposal group), excluding finance costs and income tax expense.

The criteria for held for sale classification is regarded as met only when the sale is highly probable, and the disposal group is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn. Management must be committed to the plan to sell the asset and the sale expected to be completed within one year from the date of the classification.

Property, plant and equipment and intangible assets are not depreciated or amortized once classified as held for sale.

Assets and liabilities classified as held for sale are presented separately as current items in the consolidated statement of financial position.

(j) Segmented information

Operating segments – The Corporation manages its consolidated operations and, accordingly, determines its operating segments on the basis of legal entities. Three reportable operating segments have been identified: Canada Post, Purolator and SCI. The Other category includes the results of the support functions provided by the information technology business unit, Innovapost, under a shared services agreement between Canada Post, Purolator and Innovapost, as well as consolidation adjustments and intersegment balance eliminations.

The Canada Post segment provides products and services in three lines of business, Transaction Mail, Parcels and Direct Marketing. The Purolator segment derives its revenue from specialized courier services. The SCI segment provides third-party logistics services in supply chain management and transportation services.

4. Critical Accounting Estimates and Judgments

The preparation of these consolidated financial statements requires management to make complex or subjective judgments, estimates and assumptions based on existing knowledge that affect reported amounts and disclosures in the consolidated financial statements and accompanying notes. Actual results may differ from judgments, estimates and assumptions. It is reasonably possible that management's reassessments of these and other estimates and assumptions in the near term, as well as actual results, could require material change in reported amounts and disclosures in the consolidated financial statements of future periods.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which estimates are revised if revisions affect only that period, or in the period of revision and future periods if revisions affect both current and future periods.

(a) Critical judgments in applying accounting policies – The following are critical judgments that management has made in the process of applying these accounting policies that have the most significant effect on amounts recognized in the consolidated financial statements.

(a.1) Going concern – These consolidated financial statements have been prepared on a going-concern basis in accordance with IFRSs, which assume that the Corporation will continue in operation for the foreseeable future and will be able to realize its assets and discharge liabilities and commitments in the normal course of business.

On October 27, 2023, we submitted our 2024-28 Corporate Plan (Plan) to the Minister responsible for the Corporation. The Plan presents the significant challenges the Corporation is facing with recurring financial losses and deteriorating liquidity position. The Corporation has been operating without an approved corporate plan since 2020.

Since 2018, the Canada Post segment has experienced cumulative losses before tax of $3 billion, impacting the Corporation's net liquidity position. Cash and cash equivalents are depleting and without action by the Government of Canada, the Corporation's single shareholder, the Canada Post segment may further deplete remaining cash when the Series 2 bond repayment is due in July 2025. Recurring financial losses threaten the Corporation's ability to fulfill the objects set by the Government of Canada, which is to conduct operations on a self-sustaining financial basis while providing a standard of service that will meet the needs of the people of Canada.

While faced with financial challenges and reduced cash, the Corporation believes it has sufficient liquidity and authorized borrowing capacity to support its operations. Refer to notes 18 and 19 (c) for additional information about our capital management, borrowing facilities and liquidity risk. Management has concluded that there are no material uncertainties that cast significant doubt on the Corporation's ability to continue as a going concern for a period of at least, but not limited to, 12 months from the reporting date.

These consolidated financial statements do not include any adjustments to the carrying value of the assets and liabilities, the reported revenues and expenses or the consolidated statement of financial position classifications that might be necessary if the Corporation was unable to obtain the necessary legislative support that would help provide financial stability.

(a.2) **Capital and right-of-use assets** – At the reporting date, capital assets with finite useful lives and right-of-use assets are tested for impairment when indication of impairment exists. Management is required to make a judgment with respect to the existence of impairment indicators.

(a.3) **Provisions and contingent liabilities** – In determining whether a liability should be recorded in the form of a provision, management exercises judgment in assessing whether the Group has a present legal or constructive obligation as a result of a past event, whether it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and whether a reasonable estimate can be made of the amount of the obligation. Management may use past experience, prior external precedents and the opinions and views of legal counsel. If management determines that the above three conditions are met, a provision is recorded for the obligation. Alternatively, a contingent liability is disclosed in the notes to the consolidated financial statements if management determines that any one of the above three conditions is not met, unless the possibility of outflow in settlement is remote.

(a.4) **Leases** – The Group uses judgment to assess, at the inception of a contract, whether contracts contain a lease or a service, and whether it conveys the right to control the use of an identifiable asset for a period of time in exchange for consideration.

Where practicable, renewal or termination options are included in lease contracts for operational flexibility. At lease commencement and annually thereafter, management applies judgment to assess whether it is reasonably certain to exercise renewal and termination options. Any change in the lease term is accounted for as a lease modification.

(a.5) Revenue from contracts with customers – As control transfers over time, delivery service revenue is recognized to the extent of progress toward completion of the performance obligation, and estimated using a straight-line output method based on delivery performance days to date (a key performance indicator for transfer of services in the industry). Progress toward completion included in other revenue is estimated using time elapsed over the contract period. Retail product revenue included in other revenue is recognized at a point in time, as the customer takes physical possession of the product.

Variable considerations in the transaction price, such as discounts or rebates, performance bonuses, refunds for sales with right of return are estimated using observed volumes, revenue, scanning or delivery performance metrics and trends. Refunds are estimated using the expected value method based on historical refunds. In determining whether each variable consideration is constrained (i.e. whether or not it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur), the Group considers the impact of outside factors such as labour disruptions, experience or history with uncertainties and the length of time uncertainties will remain.

(b) Key sources of estimation uncertainty – The following are key sources of estimation uncertainty at the end of the reporting period that have a significant risk of causing a material adjustment to the consolidated financial statements within the next 12 months.

(b.1) Impairment of financial assets – The impairment provisions for financial assets are based on assumptions about risk of default and expected loss rates. Judgment is used in making these assumptions and selecting the inputs to the impairment calculation, based on the history, existing market conditions as well as forward-looking estimates at the end of each reporting period.

(b.2) Capital assets – Capital assets are depreciated or amortized over their useful lives, based on management's best estimates of the periods of service provided by the assets. The appropriateness of useful lives and residual values are assessed annually and revised on a prospective basis.

The impairment test for capital assets compares the carrying value to the asset's recoverable amount, which is the higher of the asset's fair value less costs to sell and its value in use. Determining both the fair value less costs to sell and its value in use requires estimates for market value, selling costs or future cash flows related to the asset or cash-generating unit, discounted at the appropriate rate to reflect the time value of money.

(b.3) Goodwill – Goodwill is tested annually for impairment. The impairment test for goodwill compares the carrying value of a cash-generating unit, including the allocated goodwill, to its estimated recoverable amount. The estimated recoverable amount is determined on the basis of projected future cash flows using internal business plans or forecasts and discounting these cash flows to reflect the time value of money.

(b.4) Leases – Right-of-use assets are valued using, and depreciated over, their estimated lease term. Lease terms are based on management's best estimate of whether it is reasonably certain that renewal and termination options will be exercised in future periods. Terms are reassessed annually and based on historical use of available options, operational requirements and strategic decisions about asset use.

The incremental borrowing rate used to discount lease payments represents management's best estimate of the rate obtained if the underlying asset within the lease contract was purchased and not leased.

(b.5) Deferred revenue – Deferred revenue is estimated at the end of the reporting period for parcels deposited or in transit but not yet delivered, stamps distributed to dealers but not yet resold to customers, meters filled but not yet used by customers. The estimate of deferred revenue is made based on delivery service statistics and dealer outlet and meter customer actual usage patterns.

(b.6) Pension, other post-employment and other long-term benefit plans – Pension, other post-employment and other long-term benefit obligations to be settled in the future require assumptions to establish the benefit obligations. The significant actuarial assumptions used in measuring the benefit obligations and benefit costs are the discount rates, mortality tables, healthcare costs trend rates and inflation rate, which has an impact on the long-term rates of compensation increase. The Group consults with external actuaries regarding these assumptions at least annually. Changes in these key assumptions can have a significant impact on defined benefit obligations, funding requirements and pension, other post-employment and other long-term benefit costs.

For funded plans, assets are recognized only to the extent that the Group can realize future economic benefits from them. In establishing the economic benefit, the Group calculates gains resulting from a projected rate of return on assets exceeding the going-concern discount rate used for funding requirements. In addition, to establish asset limit adjustments, it is assumed that a contribution holiday is taken whenever possible and that the Corporation intends to use additional relief in special contributions as permitted by legislation.

Funded plans for which the Group has a unilateral right to the surplus are not subject to asset limit adjustment requirements.

(b.7) Provisions – In determining a reliable estimate of the obligation, management makes assumptions about the amount, likelihood and timing of outflows and considers the nature of the provision, existence of a claim amount, opinions or views of legal counsel and other advisers, experience in similar circumstances, and how management intends to settle the obligation.

(b.8) Income taxes – The Group operates in many jurisdictions requiring calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Liabilities are recognized for anticipated tax exposures based on estimates of additional taxes that are likely to become due. Where the final tax outcome of these matters is different from the amount that was initially recorded, such differences will affect the income tax and deferred tax provisions in the period when such a determination is made.

Deferred tax assets and liabilities (DTAs and DTLs) comprise temporary differences between carrying values and tax bases of assets and liabilities, as well as tax losses carried forward. DTAs are recognized for deductible temporary differences, for unused tax losses and income tax reductions to the extent that their realization is probable. The timing of the reversal of temporary differences may take many years, and the related deferred tax is calculated using substantively enacted tax rates for the related period.

Future deferred income tax adjustments would not result in an immediate cash outflow, nor would they affect the Group's immediate liquidity.

5. Application of New and Revised International Financial Reporting Standards

(a) New standards, amendments and interpretations

The following amendments issued by the International Accounting Standards Board (IASB) required mandatory adoption by the Group of Companies on or after January 1, 2023.

Standard	Subject matter and significance
IAS 1 "Presentation of Financial Statements – Classification of Liabilities as Current or Non-Current"	Amendments specify that the conditions which exist at the end of the reporting period are those which will be used to determine if a right to defer settlement of a liability exists. The amendments also clarify the situations considered for the settlement of a liability. The amendments had no impact on the Corporation's financial statements.
IAS 1 "Presentation of Financial Statements – Disclosure of Accounting Policies" and IFRS Practice Statement 2 "Making Materiality Judgments"	Amendments require that an entity disclose its material accounting policies, instead of its significant accounting policies. IFRS Practice Statement 2 was amended to include guidance and examples to explain and demonstrate the application of the four-step materiality process. The amendments have had an impact on the Group's presentation and disclosures of accounting policies, but not on the measurement or recognition of any items in the Corporation's financial statements.
IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Accounting Estimates"	Amendments replace the definition of a change in accounting estimates with a definition that accounting estimates are monetary amounts in financial statements that are subject to measurement uncertainty. Amendments clarify that a change in accounting estimates resulting from new information or new developments is not the correction of an error. Further, the effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior-period errors. The amendments had no impact on the Corporation's financial
IAS 12 "Income Taxes – Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction"	Amendments clarify that the initial recognition exception does not apply to transactions such as leases and decommissioning obligations, where equal amounts of deductible and taxable temporary differences arise on initial recognition. It is a matter of judgment whether payments that settle a liability are deductions attributable (for tax purposes) to the liability (and interest expense) or to the related asset component (and interest expense). The amendments had no impact on the Corporation's financial statements.

IAS 12 "Income Taxes – International Tax Reform – Pillar Two Model Rules"	Amendments add the exception to recognizing and disclosing information about deferred tax assets and liabilities that are related to tax law enacted or substantively enacted to implement the Pillar Two model rules published by the Organisation for Economic Co-operation and Development (the "Pillar Two legislation"). Entities are required to apply the amendments immediately upon issuance. Entities shall disclose separately their current tax expense or recovery related to Pillar Two income taxes, and the qualitative and quantitative information about their exposure to Pillar Two income taxes in periods in which the Pillar Two legislation is enacted or substantially enacted but not yet in effect. The Group has yet to apply the temporary exception during the current reporting period because the Group's entities are operating in jurisdictions where the Pillar Two legislation has not yet been enacted or substantially enacted. The Group will disclose known or reasonably estimable information that helps users of financial statements understand the Group's exposure to Pillar Two income taxes in the Group's annual consolidated financial statements in which the Pillar Two legislation has been enacted or substantially enacted and will disclose separately current tax expense or recovery related to Pillar Two income taxes when it is in effect.

(b) Standards, amendments and interpretations not yet in effect

The IASB issued amendments to the following standards. Early application is permitted.

Effective for annual periods beginning on or after January 1, 2024. The Group is not expecting any impact from the adoption of these amendments.

Standard	Subject matter and significance
IAS 1 "Presentation of Financial Statements – Non-current Liabilities with Covenants"	Amendments clarify that only covenants with which an entity must comply on or before the reporting date will affect the classification of a liability as current or non-current. Additional disclosures are required for non-current liabilities arising from loan arrangements that are subject to covenants to be complied with within 12 months after the reporting period.
IFRS 16 "Leases – Lease Liability in a Sale and Leaseback"	Amendments specify how a seller-lessee subsequently measures the lease liability arising in a sale and leaseback transaction in a way that it does not recognize any amount of the gain or loss that relates to the right of use it retains. The new requirements allow a seller-lessee to recognize a gain or loss relating to the partial or full termination of a lease.
IAS 7 "Statement of Cash Flows" and IFRS 7 "Financial Instruments: Disclosures – Supplier finance arrangements"	Amendments introduce new disclosure requirements for entities to provide qualitative and quantitative information about supplier finance arrangements. The new disclosures will include the terms and conditions of the arrangements, the carrying amounts of the financial liabilities and the range of payment due dates at the beginning and end of the reporting period, and the type and effect of non-cash changes in the carrying amounts of the arrangement financial liabilities.

6. Business Combinations

On December 1, 2023, Purolator Holdings Ltd. purchased 100% of Williams PharmaLogistics Inc., which operates a temperature-controlled network serving the pharmaceutical and healthcare industry, for a cash consideration of $56 million. The business combination was accounted for using the acquisition method. Management has established the purchase price allocation by taking into account all relevant information at the time of preparing these notes to the consolidated financial statements.

Details on assets acquired, liabilities assumed, and goodwill are as follows (in millions):

	Purchase price allocation
Assets	
Trade, other receivables and contract assets	6
Property, plant and equipment	4
Right-of-use assets	7
Intangible assets	16
Total assets	**33**
Liabilities	
Trade and other payables	2
Lease liabilities	7
Loans and borrowings	3
Deferred tax liabilities	5
Total liabilities	**17**
Identifiable net assets acquired	**16**
Goodwill (Note 13)	**40**
Purchase considering transferred	**56**

The goodwill is attributable to the acquired workforce and the profitability of the acquired business. It will not be deductible for tax purposes.

The fair value of the receivables included in current assets approximated the gross contractual amount.

7. Cash and Cash Equivalents, Marketable Securities and Segregated Securities

(a) Cash and cash equivalents, marketable securities and segregated securities consisted of the following (in millions):

	As at December 31, 2023		As at December 31, 2022	
	$	%	$	%
Cash and cash equivalents				
Cash	986	89%	1,200	98%
Money market instruments issued by				
Government of Canada	50	4%	–	0%
Provincial governments	73	7%	20	2%
Total cash and cash equivalents	**1,109**	**100%**	1,220	100%
Marketable securities				
Money market instruments issued by				
Government of Canada	154	46%	204	19%
Provincial governments	35	10%	276	25%
Financial institutions	29	9%	313	29%
Corporations	77	23%	152	14%
Bonds issued by corporations	40	12%	138	13%
Total marketable securities	335	100%	1,083	100%
Current marketable securities	**335**	**100%**	1,025	95%
Non-current marketable securities	**–**	**0%**	58	5%
Segregated securities				
Cash	23	6%	11	3%
Bonds issued by				
Government of Canada	85	21%	84	22%
Provincial governments	173	44%	166	45%
Corporations	117	29%	112	30%
Total segregated securities	**398**	**100%**	373	100%

All money market instruments and bonds held as at December 31, 2023, were issued by Canadian entities at fixed interest rates. The weighted-average effective interest rate as at December 31, 2023, was 5.4% for money market instruments (2022 – 4.3%) and 4.1% for bonds (2022 – 4.4%).

Securities are segregated due to external restrictions imposed on other retirement dental and life insurance benefit plans repatriated through the federal public sector pension reform. These defined benefit plans were partially funded by the transitional support from the Government of Canada; therefore, the Group is obligated to use these funds exclusively for related benefit payments. Segregated securities, if held to maturity, have terms expiring over a 19-year period.

(b) Fair values of financial instruments

The estimated fair values of cash equivalents, marketable securities and segregated securities used to measure amounts in the consolidated financial statements are classified as level 2 in the fair value hierarchy and are applied on a recurring basis. There were no transfers between the levels of the fair value hierarchy during the years ended December 31, 2023, and 2022.

8. Assets and Liabilities of Disposal Groups Held for Sale

The following is a summary of the major items of assets and liabilities of the disposal groups held for sale as at December 31, 2023 (in millions):

ASSETS[1]	SCI Group Inc.	Innovapost Inc.	Total
Cash and cash equivalents	76	–	76
Trade, other receivables and contract assets	74	–	74
Income tax receivable	–	1	1
Property, plant and equipment (Note 9)	27	3	30
Intangible assets (Note 9)	3	1	4
Right-of-use assets (Note 9)	196	6	202
Pension benefit assets (Note 11)	2	7	9
Deferred tax assets (Note 12)	6	–	6
Goodwill (Note 13)	9	–	9
Other assets	11	2	13
Assets of disposal groups held for sale	**404**	**20**	**424**
LIABILITIES[1]			
Trade and other payables	22	20	42
Salaries and benefits payable	22	–	22
Provisions	1	–	1
Deferred revenue	1	–	1
Lease liabilities (Note 17)	214	8	222
Pension, other post-employment and other long-term benefit liabilities (Note 11)	9	–	9
Deferred tax liabilities (Note 12)	–	2	2
Liabilities directly associated with disposal groups held for sale	**269**	**30**	**299**
Net assets (liabilities) of disposal groups held for sale	**135**	**(10)**	**125**

1. Intercompany balances have been eliminated on consolidation and are excluded from assets and liabilities of the disposal groups held for sale.

SCI Group Inc. – On January 9, 2024, following approval by their Board of Directors, Canada Post and Purolator announced their plan to divest 100% of the shares of SCI Group Inc., a subsidiary, to a Canadian leader in third-party logistics. SCI will continue to provide warehousing and other logistics services to Canada Post after the closing date, however, transactions will be done at arm's length as the parties will no longer be related. Control of SCI Group Inc. was transferred to its acquirer on March 1, 2024, when the divestiture was completed (Note 27).

Innovapost Inc. – On January 16, 2024, following approval by their Board of Directors, Canada Post and Purolator announced their plan to divest 100% of the shares of Innovapost Inc., the Group's information technology (IT) shared services provider and a subsidiary, to a world-class IT strategic partner. The majority of employees from Innovapost Inc. will continue employment with the strategic partner, who will provide the Group with IT services, while others will be repatriated to Canada Post and Purolator. The divestiture will eliminate the related party (non-arm's length) relationship between Innovapost Inc. and the Group. Control of Innovapost Inc. is set to transfer to the strategic partner in Q2 2024.

Disposal groups held for sale – Upon the divestiture agreement execution of Innovapost Inc. and SCI Group Inc. on November 29, 2023, and December 22, 2023, respectively, the Group determined that it was unlikely that significant changes to the plans to sell the disposal groups would be made or that the plans would be withdrawn. As of the respective agreement execution dates, the Group classified Innovapost Inc. and SCI Group Inc. as disposal groups held for sale. Financial results of both entities for the year ended December 31, 2023, are included in Note 26.

9. Capital Assets

(a) Property, plant and equipment (in millions)

	Land	Buildings	Leasehold improvements	Plant equipment	Vehicles	Sales counters, office furniture and equipment	Other equipment	Assets under development	Total
Cost									
December 31, 2021	457	2,339	377	1,215	749	346	1,155	549	7,187
Additions	25	61	14	64	90	16	141	169	580
Reclassified as held for sale	–	(2)	–	–	–	–	–	–	(2)
Retirements	–	(6)	(1)	(28)	(19)	(29)	(9)	–	(92)
Transfers	–	128	7	162	–	7	5	(309)	–
December 31, 2022	482	2,520	397	1,413	820	340	1,292	409	7,673
Additions	1	87	15	66	210	17	90	13	499
Additions through business combinations (Note 6)	–	–	–	–	4	–	–	–	4
Reclassified as held for sale	–	(1)	–	–	–	–	–	–	(1)
Retirements	–	(6)	(18)	(148)	(12)	(99)	(5)	–	(288)
Transfers	–	96	29	135	2	2	–	(264)	–
Reclassified to assets of disposal groups held for sale (Note 8)	–	–	(27)	(24)	(3)	(61)	–	–	(115)
December 31, 2023	**483**	**2,696**	**396**	**1,442**	**1,021**	**199**	**1,377**	**158**	**7,772**
Accumulated depreciation									
December 31, 2021	–	1,303	277	854	447	280	553	–	3,714
Depreciation	–	59	16	71	52	18	57	–	273
Reclassified as held for sale	–	(2)	–	–	–	–	–	–	(2)
Retirements	–	(5)	(1)	(28)	(19)	(29)	(9)	–	(91)
December 31, 2022	–	1,355	292	897	480	269	601	–	3,894
Depreciation	–	64	18	86	64	19	62	–	313
Reclassified as held for sale	–	(1)	–	–	–	–	–	–	(1)
Retirements	–	(5)	(18)	(145)	(12)	(99)	(5)	–	(284)
Reclassified to assets of disposal groups held for sale (Note 8)	–	–	(23)	(18)	(2)	(42)	–	–	(85)
December 31, 2023	**–**	**1,413**	**269**	**820**	**530**	**147**	**658**	**–**	**3,837**
Carrying amounts									
December 31, 2022	482	1,165	105	516	340	71	691	409	3,779
December 31, 2023	**483**	**1,283**	**127**	**622**	**491**	**52**	**719**	**158**	**3,935**

(b) Intangible assets (in millions)

	Software	Software under development	Customer contracts and brand	Total
Cost				
December 31, 2021	960	38	22	1,020
Additions	4	72	–	76
Retirements	(3)	–	–	(3)
Transfers	18	(18)	–	–
December 31, 2022	979	92	22	1,093
Additions	6	89	–	95
Acquisition through business combinations (Note 6)	–	–	16	16
Retirements	(24)	–	–	(24)
Transfers	50	(50)	–	–
Reclassified to assets of disposal groups held for sale (Note 8)	(37)	–	(22)	(59)
December 31, 2023	**974**	**131**	**16**	**1,121**
Accumulated amortization				
December 31, 2021	829	–	22	851
Amortization	47	–	–	47
Retirement	(1)	–	–	(1)
December 31, 2022	875	–	22	897
Amortization	51	–	–	51
Retirement	(24)	–	–	(24)
Reclassified to assets of disposal groups held for sale (Note 8)	(33)	–	(22)	(55)
December 31, 2023	**869**	**–**	**–**	**869**
Carrying amounts				
December 31, 2022	104	92	–	196
December 31, 2023	**105**	**131**	**16**	**252**

(c) Right-of-use assets (in millions)

	Land	Buildings – gross	Buildings – net	Vehicles	Plant equipment	Total
Carrying amounts						
December 31, 2021	116	307	888	13	2	1,326
Additions	–	38	155	–	1	194
Depreciation	(3)	(29)	(97)	(5)	(1)	(135)
Terminations	–	–	(1)	–	–	(1)
December 31, 2022	113	316	945	8	2	1,384
Additions	13	26	214	8	1	262
Depreciation	(3)	(30)	(111)	(5)	(1)	(150)
Terminations	(5)	(2)	(2)	–	–	(9)
Reclassified to assets of disposal groups held for sale (Note 8)	–	(16)	(185)	(1)	–	(202)
December 31, 2023	**118**	**294**	**861**	**10**	**2**	**1,285**

10. Employee Benefits

The employee benefits expense recognized in net loss consisted of the following items (in millions):

	For the year ended December 31, 2023	For the year ended December 31, 2022
Active and other employee benefits	791	735
Pension, other post-employment and other long-term benefit expense (Note 11 [e])	391	869
Employee benefits	**1,182**	**1,604**

11. Pension, Other Post-employment and Other Long-term Benefit Plans

(a) Characteristics of benefit plans

The Group has a number of funded and unfunded benefit plans that provide defined benefit pension plans, other post-employment and other long-term benefits for the majority of its employees, and also provides pension benefits to eligible employees through defined contribution plans. Certain new employees must join the defined contribution plans and are not eligible to join the defined benefit pension plans. The pension benefit plans are funded through contributions made to external trusts; however, the other post-employment and other long-term benefit plans are unfunded and the benefits are paid directly by the employer.

Benefits provided under the most significant defined benefit pension plans are calculated based on length of pensionable service, pensionable salary and retirement age, or for certain employees, are based on negotiated benefit rates. These plans provide for a retirement pension, a survivor's pension or a refund after termination of employment or death. Pension benefits are covered by the registered pension plans and the retirement compensation arrangements, for benefits in excess of statutory limits as defined under the *Income Tax Act*. For the salaried plans, pension benefits in pay are indexed annually.

Both the employers' and, where applicable, the employees' contributions to the external trusts are made in accordance with the provisions of the plans. The contributions to the defined benefit plans are determined by actuarial valuations in compliance with the requirements of regulatory authorities, to ensure that the external trusts have sufficient assets to pay pension benefits when employees retire. Each entity in the Group has a pension governance structure in place, which is overseen by the Board of Directors. The governance structure includes committees that provide expertise and support management in areas such as investments, administration and compensation.

The most significant post-employment defined benefit plans, other than pension, include unfunded healthcare, as well as dental, life and death insurance plans. The benefit costs covered by the employer and the costs assumed by retirees, if any, are determined in accordance with the rules of each plan and the provisions of labour contracts.

Other long-term benefit plans primarily include the top-up credits available to eligible employees while on short-term disability or injury-on-duty leave, workers' compensation benefits and health, dental and life insurance coverage for employees receiving long-term disability benefits. Under short-term disability or injury-on-duty leave, eligible employees can use their unused balances from the former sick leave plan as top-up credits to supplement eligible employees' salary while on leave. The other long-term benefit costs covered by the employer and the costs assumed by employees, if any, are determined in accordance with the rules of each plan, the provisions of labour contracts and respective provincial workers' compensation legislation.

The Corporation is subject to the *Government Employees Compensation Act* and, therefore, is not mandatorily covered under any provincial workers' compensation act. The Corporation is a self-insured employer, responsible for workers' compensation benefits incurred since incorporation. The Corporation's unfunded obligation for workers' compensation benefits is based on known awarded disability and survivor pensions and other potential future awards for accidents that occurred up to the measurement date. Workers' compensation benefits are provided according to the respective provincial workers' compensation legislation. Benefit entitlements in the three territories are based on the Alberta legislation.

(b) Risks associated with defined benefit plans

Funding risk

One of the primary risks that plan sponsors face is funding risk, which is the risk that the investment asset growth and contribution rates of the pension plans will not be sufficient to cover the pension funding obligations, resulting in unfunded liabilities. When funding deficits exist, regulations of the *Pension Benefits Standards Act*, 1985 require that special contributions be made over specified future periods; however, the *Canada Post Corporation Pension Plan Funding Regulations* have allowed temporary relief from its solvency funding obligations until December 31, 2024.

The most significant contributors to funding risk are declines in solvency discount rates, investments failing to achieve expected returns, and non-economic factors like changes in member demographics. Changes to member demographics, such as an increase in life expectancies of plan members, also contribute to increasing the funding obligations, which increases the funding risk faced by plan sponsors.

Funding risk is managed by monitoring and reviewing the funded ratio on an ongoing basis and ensuring that investment decisions are made in accordance with each plan's investment policies and procedures and applicable legislation. Investment policies and procedures are designed to provide the pension plans with a long-term rate of return sufficient to assist the plans in meeting funding objectives and the ongoing growth of the pension funding obligations. A Statement of Investment Policies and Procedures (SIPP), addressing the manner in which the pension plan assets will be invested, is reviewed at least annually for significant plans. For the most significant plans, asset-liability studies are conducted periodically to ensure that the pension plans' investment strategies remain appropriate in challenging economic environments.

Other risks

Plan assets are also subject to a variety of financial risks as a result of investment activities. These risks include credit risk, market risk (interest rate, currency and price risk) and liquidity risk arising from financial instruments. In addition, defined benefit obligations are subject to measurement uncertainty due to the use of significant actuarial assumptions (Note 11 [g]). The impact of these factors on the remeasurement of the pension benefit asset, and pension, other post-employment and other long-term benefit obligations can be significant and volatile (Note 11 [h]).

(c) Net defined benefit (asset) liability

A reconciliation of the net defined benefit (asset) liability of the defined benefit plans was as follows, including the present value of defined benefit plan obligations and the fair value of plan assets (in millions):

	As at December 31, 2023		As at December 31, 2022	
	Pension benefit plans	**Other benefit plans**	Pension benefit plans	Other benefit plans
Present value of benefit obligations				
Balance, beginning of year	26,241	2,900	32,866	4,025
Current service cost	373	79	636	120
Interest cost	1,337	149	912	117
Employee contributions	252	–	297	–
Benefits paid	(1,290)	(168)	(1,247)	(156)
Actuarial (gains) losses (Note 11 [f])	2,270	223	(7,234)	(1,200)
Losses (gains) from plan amendments (Note 11 [e])	1	–	11	(6)
Reclassified to liabilities of disposal groups held for sale (Note 8)	(151)	(9)	–	–
Balance, end of year	29,033	3,174	26,241	2,900
Fair value of plan assets				
Balance, beginning of year	31,172	–	34,310	–
Interest income on plan assets	1,600	–	961	–
Return on plan assets, excluding interest income on plan assets (Note 11 [e])	846	–	(3,569)	–
Employer regular contributions	99	–	386	–
Employer special contributions	1	–	49	–
Employee contributions	252	–	297	–
Other administration costs	(16)	–	(15)	–
Benefits paid	(1,290)	–	(1,247)	–
Reclassified to assets of disposal groups held for sale (Note 8)	(160)	–	–	–
Balance, end of year	32,504	–	31,172	–
Total net (surplus) deficit	(3,471)	3,174	(4,931)	2,900
Cumulative effect of asset ceiling[1]	–	–	(1)	–
Net defined benefit (asset) liability	**(3,471)**	**3,174**	(4,930)	2,900

1. The remeasurements for the effect of the asset ceiling have been made on a plan-by-plan basis.

A reconciliation of the net defined benefit (asset) liability was as follows (in millions):

	As at December 31, 2023		As at December 31, 2022	
	Pension benefit plans	Other benefit plans	Pension benefit plans	Other benefit plans
Net defined benefit (asset) liability, beginning of the year	(4,930)	2,900	(1,444)	4,025
Remeasurements of defined benefit plans (Note 11 [e])	1,423	213	(3,664)	(1,205)
Benefits paid directly to beneficiaries (Note 11 [i])	–	(168)	–	(156)
Employer regular contributions paid (Note 11 [i])	(99)	–	(386)	–
Employer special contributions paid (Note 11 [i])	(1)	–	(49)	–
Defined benefit expense (Note 11 [e])	127	238	613	236
Transfer to disposal group held for sale (Note 8)	9	(9)	–	–
Net defined benefit (asset) liability, end of the year	**(3,471)**	**3,174**	(4,930)	2,900

The net defined benefit (asset) liability was recognized and presented in the consolidated statement of financial position as follows (in millions):

	As at December 31, 2023	As at December 31, 2022
Pension benefit assets	**3,471**	4,933
Pension benefit liabilities	–	3
Other post-employment and other long-term benefit liabilities	3,174	2,900
Total pension, other post-employment and other long-term benefit liabilities	3,174	2,903
Current other long-term benefit liabilities	**56**	56
Non-current pension, other post-employment and other long-term benefit liabilities	**3,118**	2,847

(d) Fair value measurement of plan assets

The fair value measurement of plan assets disaggregated by asset class and the fair value hierarchy described in Note 3 (b.4) for the Group were as follows:

As at December 31, 2023[1] (in millions)

	Level 1		Level 2		Level 3		Total	
	$	%	$	%	$	%	$	%
Cash and short-term securities	225	1%	438	1%	–	–%	663	2%
Fixed income	–	–%	12,855	40%	218	–%	13,073	40%
Equities	7,344	23%	492	2%	2	–%	7,838	25%
Real estate	–	–%	–	–%	4,377	13%	4,377	13%
Private equity	–	–%	–	–%	2,156	7%	2,156	7%
Infrastructure	–	–%	–	–%	2,374	7%	2,374	7%
Derivatives	8	–%	1,261	4%	–	–%	1,269	4%
Other	–	–%	–	–%	581	2%	581	2%
Total investment assets	**7,577**	**24%**	**15,046**	**47%**	**9,708**	**29%**	**32,331**	**100%**
Non-investment assets less liabilities							173	
Fair value of plan assets							**32,504**	

1. Excludes amounts reclassified to assets of disposal groups held for sale (Note 8).

As at December 31, 2022 (in millions)

	Level 1		Level 2		Level 3		Total	
	$	%	$	%	$	%	$	%
Cash and short-term securities	306	1%	356	1%	–	–%	662	2%
Fixed income	–	–%	12,065	39%	36	–%	12,101	39%
Equities	9,335	30%	66	–%	2	–%	9,403	30%
Real estate	10	–%	–	–%	4,355	14%	4,365	14%
Private equity	–	–%	–	–%	2,114	7%	2,114	7%
Infrastructure	–	–%	–	–%	2,012	7%	2,012	7%
Derivatives	1	–%	(109)	–%	–	–%	(108)	–%
Other	1	–%	–	–%	448	1%	449	1%
Total investment assets	9,653	31%	12,378	40%	8,967	29%	30,998	100%
Non-investment assets less liabilities							174	
Fair value of plan assets							31,172	

Total plan assets included $4,302 million (2022 – $3,882 million) in money market instruments and bonds issued by the Government of Canada, its agencies and other Crown corporations and $123 million (2022 – $116 million) in refundable taxes held by the Canada Revenue Agency. The fair value of the refundable taxes is measured with a discounted cash flow approach using a risk-free government rate at December 31, 2023, with a duration that approximates the timing of future benefit payments. The fair value of the remainder of the non-investment assets less liabilities approximates their carrying value.

The Group's pension plans do not own financial instruments or any other assets of the Group.

(e) Defined benefit and defined contribution costs

The defined benefit and defined contribution cost components recognized in the consolidated statement of comprehensive income were as follows (in millions):

	For the year ended December 31, 2023			For the year ended December 31, 2022		
	Pension benefit plans	**Other benefit plans**	**Total**	Pension benefit plans	Other benefit plans	Total
Current service cost	373	79	452	636	120	756
Interest cost	1,337	149	1,486	912	117	1,029
Interest income on plan assets	(1,600)	–	(1,600)	(961)	–	(961)
Actuarial losses (gains) (Note 11 [f])[1]	–	10	10	–	5	5
Other administration costs	16	–	16	15	–	15
Losses (gains) from plan amendments (Note 11 [c])	1	–	1	11	(6)	5
Defined benefit expense (Note 11 [c])	127	238	365	613	236	849
Defined contribution expense	41	–	41	35	–	35
Total expense	168	238	406	648	236	884
Return on segregated securities	–	(15)	(15)	–	(15)	(15)
Component included in employee benefits expense (Note 10)	**168**	**223**	**391**	648	221	869
Remeasurement (gains) losses:						
Return on plan assets, excluding interest income on plan assets (Note 11 [c])	(846)	–	(846)	3,569	–	3,569
Actuarial losses (gains) (Note 11 [f])	2,270	213	2,483	(7,234)	(1,205)	(8,439)
Change in asset ceiling (Note 11 [c])	(1)	–	(1)	1	–	1
Component included in other comprehensive (income) loss (Note 11 [c])[2,3]	**1,423**	**213**	**1,636**	(3,664)	(1,205)	(4,869)

1. Remeasurements for other long-term benefit plans are recognized in net profit or loss in the period in which they arise. The discount rate used to measure the Canada Post segment other long-term benefit plans at December 31, 2023, was 4.61% (2022 – 5.23%).
2. Amounts presented in this table exclude income tax recovery of $409 million for the year ended December 31, 2023 (2022 – income tax expense of $1,218 million).
3. The discount rates used to measure the Canada Post segment pension benefit plans and other benefit plans at December 31, 2023, was 4.64% (2022 – 5.27% and 5.28%, respectively).

(f) Actuarial (gains) losses

The actuarial (gains) losses components recognized in the consolidated statement of comprehensive income were as follows (in millions):

	For the year ended December 31, 2023			For the year ended December 31, 2022		
	Pension benefit plans	**Other benefit plans**	**Total**	Pension benefit plans	Other benefit plans	Total
Actuarial losses (gains) on other long-term benefit obligations:						
Actuarial (gains) losses arising from changes in demographic assumptions	–	(7)	(7)	–	14	14
Actuarial losses (gains) arising from changes in financial assumptions	–	9	9	–	(17)	(17)
Actuarial losses arising from experience adjustments	–	8	8	–	8	8
Actuarial losses included in net profit (Note 11 [e])	**–**	**10**	**10**	–	5	5
Actuarial (gains) losses on defined benefit obligations:						
Actuarial gains arising from changes in demographic assumptions	–	(9)	(9)	(710)	(72)	(782)
Actuarial losses (gains) arising from changes in financial assumptions	2,308	222	2,530	(7,020)	(1,133)	(8,153)
Actuarial (gains) losses arising from experience adjustments	(38)	–	(38)	496	–	496
Actuarial losses (gains) included in other comprehensive income (Note 11 [e])	**2,270**	**213**	**2,483**	(7,234)	(1,205)	(8,439)
Total actuarial losses (gains) (Note 11 [c])	**2,270**	**223**	**2,493**	(7,234)	(1,200)	(8,434)

(g) Significant actuarial assumptions

The weighted-average actuarial assumptions used in measuring the Group's significant defined benefit plans were as follows:

	As at December 31, 2023		As at December 31, 2022	
	Pension benefit plans	**Other benefit plans**	Pension benefit plans	Other benefit plans
Present value of defined benefit obligations:				
Discount rate	4.64%	4.64%	5.27%	5.28%
Consumer price index[1]	2.00%	2.00%	2.00%	2.00%
Defined benefit expense:				
Discount rate – current service cost	5.26%	5.24%	3.35%	3.42%
Discount rate – interest cost and interest income on plan assets	5.23%	5.25%	2.82%	2.94%
Consumer price index[2]	2.00%	2.00%	2.00%	2.00%
Healthcare cost trend rate[3]	N/A	4.92%	N/A	4.99%

1. For 2023, 2.5% for 2024, 2.1% for 2025 and 2.0% thereafter.
2. For 2023, 3.7% for 2023, 2.2% for 2024 and 2.0% thereafter.
3. For 2023 and 2022, the healthcare cost trend rates were 4.92% and 4.99%, respectively, decreasing progressively to a rate of 4.00% by 2040.

The average life expectancies used in the measurement of the defined benefit obligations for the significant plans were as follows:

	As at December 31, 2023	As at December 31, 2022
Life expectancy[1] at age 60 at December 31, 2023, and 2022 (in years):		
Males	26	26
Females	29	29
Life expectancy[1] at age 60 at December 31, 2043, and 2042 (in years):		
Males	27	27
Females	30	30

1. The average life expectancies are based on the Canadian Institute of Actuaries' Final Report on Canadian Pensioners Mortality (CPM), more specifically 103% (Males) and 102% (Females) of the rates of the CPM 2014 Private Sector Mortality Tables with the CPM improvement scale B. A study of Canada Post pension plan experience was performed in 2022, the results of which show that these adjusted tables give the best agreement with past experience.

(h) Sensitivity analysis

The sensitivity analysis of the significant actuarial assumptions on the Group's defined benefit obligations was as follows (in millions):

	As at December 31, 2023			As at December 31, 2022		
	Pension benefit plan	**Other benefit plans**	**Total**	Pension benefit plans	Other benefit plans	Total
Discount rate sensitivity:						
0.5% increase in discount rate	(1,878)	(209)	(2,087)	(1,659)	(182)	(1,841)
0.5% decrease in discount rate	2,058	234	2,292	1,784	203	1,987
Consumer price index (CPI) sensitivity:						
0.25% increase in CPI	778	27	805	662	22	684
0.25% decrease in CPI	(754)	(25)	(779)	(641)	(21)	(662)
Mortality table sensitivity:						
10% increase in mortality tables	(632)	(52)	(684)	(523)	(40)	(563)
10% decrease in mortality tables	696	61	757	572	47	619
Healthcare cost trend rate sensitivity:						
1% increase in healthcare trend rates	N/A	364	364	N/A	298	298
1% decrease in healthcare trend rates	N/A	(289)	(289)	N/A	(239)	(239)

This sensitivity analysis is hypothetical and must be used with caution. Changes in amounts based on these variations in assumptions generally cannot be extrapolated because the relationship of the change in assumptions to the change in amounts may not be linear. The sensitivity analysis has been calculated independently of changes in other significant assumptions. Changes in one factor may result in changes in another, which could amplify or reduce certain sensitivities. Methods used in determining this sensitivity analysis are consistent with those used to determine the pension and other benefit plan obligations.

The mortality tables sensitivity demonstrates the impact of an increase or decrease in the probability of death within a year for plan members of various ages.

The weighted-average duration of the pension plans, other post-employment plans and other long-term employee benefit plan obligations for the Group ranges from 14 to 20, 7 to 18, and 3 to 7 years, respectively.

(i) Total cash payments and funding relief

Total cash payments for pension, other post-employment and other long-term benefits for the Group were as follows (in millions):

	For the year ended December 31, 2023	For the year ended December 31, 2022
Benefits paid directly to beneficiaries for other benefit plans (Note 11 [c])	168	156
Employer regular contributions to pension benefit plans (Note 11 [c])	99	386
Employer special contributions to pension benefit plans (Note 11 [c])	1	49
Cash payments for defined benefit plans	268	591
Contributions to defined contribution plans	41	35
Total cash payments	**309**	626

Under the *Pension Benefits Standards Act*, 1985, and related regulations, aggregate solvency relief is available up to 15% of a plan's solvency liabilities, after which Canada Post, as plan sponsor, would be required to make special payments to eliminate any shortfalls of assets to liabilities based on the actuarial valuations over five years on a solvency basis. Under the Act and its regulations, Canada Post would have been required to make solvency special payments of $354 million for 2023; however, under the *Canada Post Corporation Pension Plan Funding Regulations*, Canada Post has temporary relief from its solvency funding obligations until December 31, 2024.

As the December 31, 2022, going-concern ratio and solvency ratio (using market value of plan assets) of the Canada Post Registered Pension Plan (RPP) exceeded legislative thresholds, Canada Post was required to use the surplus and was not permitted to make further employer current service contributions for 2023 after the valuation was filed.

(j) Future expected contributions

In 2024, the Group's total contributions to defined benefit pension plans are estimated to be $54 million.

The going-concern ratio and solvency ratio (using market value of plan assets) of the Canada Post RPP are estimated to continue to exceed legislative thresholds as at December 31, 2023. As a result, Canada Post must continue to use the surplus and is not permitted to make employer current service contributions for 2024. Final actuarial valuation results may differ significantly from these estimates. The funded position and impacts on regular contributions will be reassessed at the next valuation date.

12. Income Taxes

The Corporation is a prescribed Crown corporation for tax purposes and, as such, is subject to federal income taxation under the *Income Tax Act*. The Corporation's subsidiaries are subject to federal and provincial income taxes.

The sources of the temporary differences giving rise to net deferred tax assets (liabilities), affecting net loss and other comprehensive income (OCI), were as follows (in millions).

	December 31, 2022	**Recognized in net loss**	**Recognized in OCI**	**Other[1]**	**December 31, 2023**
Net deferred tax (liabilities) assets					
Capital assets	(166)	(55)	–	2	(219)
Right-of-use assets	(353)	102	–	54	(197)
Salaries and benefits payable	16	7	–	–	23
Lease Liabilities	404	(97)	–	(59)	248
Pension, other post-employment and other long-term benefit liabilities	(518)	(198)	409	1	(306)
Non-capital losses carry forward	65	204	–	–	269
Other	19	6	(5)	(7)	13
Net deferred tax (liabilities) assets	(533)	**(31)**	**404**	**(9)**	**(169)**

1. Includes amounts reclassified to assets and liabilities of disposal groups held for sale (Note 8) and amounts recorded to goodwill related to the acquisition of subsidiary by the Purolator segment (Note 6).

	December 31, 2021	Recognized in net loss	Recognized in OCI	December 31, 2022
Net deferred tax assets (liabilities)				
Capital assets	(131)	(35)	–	(166)
Right-of-use assets	(338)	(15)	–	(353)
Salaries and benefits payable	19	(3)	–	16
Lease Liabilities	386	18	–	404
Pension, other post-employment and other long-term benefit liabilities	633	67	(1,218)	(518)
Non-capital losses carry forward	–	65	–	65
Other	(9)	5	23	19
Net deferred tax assets (liabilities)	560	102	(1,195)	(533)

As presented in the consolidated statement of financial position (in millions):

	December 31, 2023	December 31, 2022
Deferred tax assets	–	3
Deferred tax liabilities	169	536
Net deferred tax liabilities	**(169)**	(533)

While the Corporation is in a net deferred tax liability position, recognition of deferred tax assets is based on management's assessment of all available evidence, such as the reversal of existing taxable temporary differences, which suggests that realizing deferred tax assets is probable. In 2023, management concluded that there is insufficient evidence to support recognition of certain deferred tax assets due to insufficient taxable temporary differences expected to reverse in the same period as the expected reversal of the deductible temporary difference. A history of recurring financial losses was also considered. This assessment resulted in a reduction of our deferred tax asset (netted with deferred tax liabilities) of $231 million, which represents management's best estimate of future results and the probability of future recoverability of the deferred tax assets. This does not result in an immediate cash outflow nor does it affect the Group of Companies' immediate liquidity position. The Corporation has not recognized a deferred tax asset relating to deductible temporary differences of $924 million (2022 – $ nil).

Deferred tax liabilities were not recognized for temporary differences associated with investments in subsidiaries as the Corporation is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. The aggregate amount of these temporary differences at December 31, 2023, was $1,072 million (2022 – $985 million).

The major components of tax expense (recovery) were as follows (in millions):

	For the year ended December 31, 2023	For the year ended December 31, 2022
Current tax expense	77	38
Deferred tax recovery relating to origination and reversal of temporary differences	(200)	(102)
Deferred tax expense relating to write-down of deferred tax asset	231	–
Tax expense (recovery)	**108**	(64)

The tax expense (recovery) differed from the amount that would be computed by applying the Corporation's federal statutory income tax rate of 25% (2022 – 25%) to loss before tax. The reasons for the differences were as follows (in millions):

	For the year ended December 31, 2023	For the year ended December 31, 2022
Loss before tax	(529)	(292)
Federal tax at Corporation's statutory rate	(132)	(73)
Subsidiaries' provincial tax less federal tax abatement	4	5
Adjustments for prior years	–	–
Deferred tax expense relating to write-down of deferred tax asset	231	–
Other	5	4
Tax expense (recovery)	**108**	(64)

13. Goodwill

Goodwill was allocated on initial recognition to two cash-generating units, corresponding to the Purolator segment and the SCI segment.

The carrying amounts of goodwill for those segments were as follows (in millions):

			As at December 31, 2023	As at December 31, 2022
	Purolator segment	SCI segment	Total	Total
Balance, beginning of the year	121	9	130	130
Goodwill, acquired during the year (Note 6)	40	–	40	–
Goodwill reclassified to assets of disposal groups held for sale (Note 8)	–	(9)	(9)	–
Balance, end of the year	**161**	**–**	**161**	130

Goodwill impairment testing

Impairment testing for goodwill is carried out annually at the end of the third and fourth quarters for the SCI and Purolator segments, respectively. The recoverable amount of each segment was estimated based on its value in use and was determined to be higher than its carrying value. No impairment was recognized in the current or prior year.

The calculation of the value in use for the Purolator segment, the only segment with a material balance, was based on the following assumptions:

- Future cash flows were discounted in determining the value in use. The cash flows were based on Purolator's five-year plan, which is aligned with past experience and the way Purolator is managed. Cash flows were extrapolated in perpetuity using a growth rate of 2.5% (2022 – 2.5%), which considers both growth and inflation, and reflects an acceptable percentage given the information and industry standard available at the time of the impairment test.
- The recoverable amount was calculated using a pre-tax discount rate of 16.6% (2022 – 16.1%), which is based on Purolator's weighted-average cost of capital.

14. Trade and Other Payables

(in millions)

	As at December 31, 2023	As at December 31, 2022
Trade payables	223	235
Accruals and other payables	478	584
Payables to foreign postal administrations	95	116
Outstanding money orders	15	16
Taxes payable	69	64
Total	**880**	1,015

Market and liquidity risks relating to trade and other payables are disclosed in Note 19.

15. Contingent Liabilities

(a) An application was made to the Superior Court of Québec on July 6, 2020, to institute a class action against Canada Post on behalf of a class of customers who, since March 14, 2020, paid for an expedited service offered by Canada Post, for which the on-time delivery guarantee had not been met. Canada Post suspended on-time delivery guarantees on March 19, 2020, until further notice, due to COVID-19 and required operational changes to preserve the health and safety of employees and Canadians. The allegation is that Canada Post, nevertheless, continued to promote the delivery guarantees for expedited services while refusing to honour them. The proposed class action has now been limited to consumers (as opposed to commercial accounts) in the province of Quebec only, and is seeking full refunds, compensatory damages and punitive damages. The class action has not yet been certified by the Court. The outcome of this class action is not determinable.

(b) In the normal course of business, the Group enters into agreements that include indemnities in favour of third parties. In addition, each member of the Group indemnifies its respective directors, officers and certain employees, either through corporate by-laws or indemnity agreements, against claims and expenses incurred by them as a result of serving as directors or officers of the Group or as directors or officers or in a similar capacity of another entity at the request of the Group.

These agreements generally do not contain specified limits on the Group's liability. Therefore, it is not possible to estimate the potential future liability from these indemnities. No amounts have been accrued in the consolidated financial statements with respect to these indemnities.

(c) The Group is involved in various other labour-related matters, claims, and litigation in the normal course of business for which the outflows of resources to settle the obligations either cannot be estimated or are not probable at this time. Provisions for such claims are recorded when an obligation exists, an outflow of resources is probable, and amounts can be reasonably estimated. As the Corporation implements decisions related to these labour-related matters, such provisions may be adjusted in subsequent periods as it is not possible to predict final settlements. Further detailed information will not be provided as it could be prejudicial to the Corporation.

16. Loans and Borrowings

(in millions)

	As at December 31, 2023		As at December 31, 2022	
	Fair value[3]	**Carrying value**	Fair value[3]	Carrying value
Series 2 bonds maturing July 2025, interest at 4.08%, payable semi-annually on January 16 and July 16[1,2]	499	499	500	499
Series 1 bonds maturing July 2040, interest at 4.36%, payable semi-annually on January 16 and July 16[1,2]	527	499	510	499
Total loans and borrowings (all non-current)	**1,026**	**998**	1,010	998

1. The Corporation has a right of redemption prior to maturity at a premium to fair value.
2. Bonds constitute direct, unconditional and unsecured obligations of the Corporation and direct, unconditional obligations of the Government of Canada.
3. The estimated fair values disclosed for loans and borrowing are categorized as level 2 in the fair value hierarchy and are applied on a recurring basis. There were no transfers between the levels of the fair value hierarchy during the years ended December 31, 2023, and 2022.

Additional information regarding the Group's externally imposed capital requirements and borrowing capacity is disclosed in notes 18 and 19 (c).

Interest expense on loans and borrowings amounted to $42 million (2022 – $42 million) and the unpaid amount is accrued to trade and other payables. Interest paid is included in cash flows from operating activities in the consolidated statement of cash flows.

Future principal repayments on loans and borrowings were as follows (in millions):

	As at December 31, 2023 and 2022
Maturity:	
2025	500
2040	500
	1,000

17. Lease Liabilities

(a) Lease liabilities (in millions)

	As at December 31, 2023	As at December 31, 2022
Maturity analysis – contractual undiscounted cash flows[1,2,3]		
Less than one year	138	149
One to five years	522	632
More than five years	1,486	1,320
Total undiscounted lease liabilities	**2,146**	2,101
Lease liabilities in the consolidated statement of financial position	**1,484**	1,583
Current lease liabilities	**94**	129
Non-current lease liabilities	**1,390**	1,454

1. Included in the above table are lease payments (undiscounted cash flows) to be made to related parties in the normal course of business, in the amount of $20 million for premises used in postal operations (2022 – $27 million).
2. Leases that have not yet commenced, but which have been committed as at December 31, 2023, have future cash outflows of $199 million that are excluded from the measurement of lease liabilities (December 31, 2022 – $71 million).
3. Leases that have been reclassified to liabilities of disposal groups held for sale are excluded from the maturity analysis.

(b) Changes in liabilities arising from financing activities (in millions)

	December 31, 2022	**Payments**	**Interest**	**Net lease additions**	**Reclassified to liabilities of disposal groups held for sale (Note 8)**	**December 31, 2023**
Lease liabilities	1,583	**(177)**	**48**	**252**	**(222)**	**1,484**

	December 31, 2021	Payments	Interest	Net lease additions	December 31, 2022
Lease liabilities	1,514	(165)	41	193	1,583

18. Capital Management

The Corporation is subject to the *Canada Post Corporation Act* and the *Financial Administration Act* (Acts) and any directives issued pursuant to the Acts. The Acts affect how the Corporation manages its capital by, among other things, setting broad objectives for the Corporation. Specifically, while maintaining basic postal service and in carrying out its objectives, the Corporation must have regard for the need to conduct its operations on a self-sustaining financial basis, while providing a standard of service that meets the needs of the people of Canada.

The Corporation views capital as the sum of loans and borrowings, other liabilities (non-current) and equity of Canada. This definition of capital is used by management and may not be comparable to measures presented by other postal organizations or public companies.

Total outstanding loans and borrowings were $998 million at December 31, 2023 and 2022. The equity of Canada was in a surplus position of $4,496 million at December 31, 2023 (2022 – $6,359 million). The decrease in the equity of Canada was attributable to the 2023 net loss and the remeasurement losses of defined benefit plans, which are recognized in other comprehensive income and are included immediately in retained earnings. Also, under the *Canada Post Corporation Pension Plan Funding Regulations*, Canada Post has temporary relief from its solvency funding obligations until December 31, 2024. Additional details and risks associated with the funding relief are disclosed in Note 11 (b).

The Corporation's objectives in managing capital are as follows:

- Provide sufficient liquidity to support and repay its financial obligations and support its operating and strategic plans.
- Maintain financial capacity and access to credit facilities to support future development of the business.

These objectives and their related strategies are reviewed and approved each year by the Board of Directors through the annual Corporate Plan, which is then forwarded for Treasury Board approval. The Corporation's 2024-28 Corporate Plan was submitted to the Minister responsible for Canada Post on October 27, 2023. This Corporate Plan presented the significant challenges the Corporation is facing with recurring financial losses and deteriorating liquidity position. Refer to Note 4 (a.1) for the going concern assessment.

The borrowing capacity of the Corporation and its access to credit facilities are outlined in the discussion of liquidity risk arising from financial instruments in Note 19 (c). Pursuant to the *Financial Administration Act*, Part X, the Corporation must indicate its intention to borrow money in the annual Corporate Plan, or in an amendment thereto, both of which are subject to the approval of the Corporation's Board of Directors and the Treasury Board. In addition, the detailed terms and conditions of any specific borrowing transaction must be approved by the Minister of Finance.

The Corporation's borrowing limit, other than from the Crown, is authorized pursuant to *Appropriation Act No. 4, 2009-10*. The *Canada Post Corporation Act* provides a maximum limit for borrowing from the Government of Canada's Consolidated Revenue Fund and for the establishment of a share capital structure, giving the Corporation the ability to raise funds through the issuance of shares to the Government of Canada and to the Corporation's employees. No such shares have been issued. Additional information regarding the Corporation's total authorized borrowing limit is disclosed in Note 19 (c).

The Corporation is not subject to any externally imposed capital requirements. Under various borrowing agreements, subsidiaries must satisfy certain restrictive covenants related to funded debt to income before interest, tax and depreciation and amortization, and interest coverage ratios. The subsidiaries are in compliance with all covenants.

19. Financial Instruments and Risk Management

Financial risk factors

The Group's financial instruments are exposed to a variety of financial risks: market risk (including interest rate risk, foreign exchange risk and commodity risk), credit risk and liquidity risk. Risk management for investment activities is carried out by the Corporate Treasury function under policies approved by the Board of Directors. Investments are held for liquidity purposes, or for longer terms, to achieve the highest possible rate of return, consistent with the investment policies approved by the Board of Directors. The Group has various other financial instruments, such as trade and other receivables, trade and other payables and salaries payable, which arise directly from operations. The Group enters into derivative contracts to manage certain risks in accordance with its risk management policy. Derivatives are never purchased for speculative purposes.

Risk management strategies are likely to evolve in response to future conditions and circumstances, and changes in the economic environment. These future strategies may not fully insulate the Group in the near term from adverse effects, the more significant of which relate to liquidity and capital resources as well as exposure to credit losses.

(a) Market risk

Market risk is the potential for loss that may arise from changes in external market factors, such as interest rates, foreign exchange rates and commodity prices.

(a.1) Interest rate risk – The Group's investments consist of cash equivalents, marketable securities and segregated securities and are classified as fair value through other comprehensive income. Substantially all investments are fixed-rate debt securities; therefore, they are exposed to a risk of change in their fair value for changes in interest rates. The risk is managed by either maintaining a short term to maturity or, in the case of segregated securities, extending terms to maturity to better match certain long-term post-employment liabilities to which they are externally restricted. The average duration in the segregated securities portfolio was 10 years as at December 31, 2023 (2022 – 10 years).

The Group has performed a sensitivity analysis on interest rate risk using a 1% increase or decrease, which represents management's assessment of a reasonably possible change in interest rates given the nature and term to maturity of the outstanding investments. An increase or decrease of 1% in market interest rates, with all other variables held constant, would decrease or increase the value of the segregated securities and other comprehensive income by $40 million at December 31, 2023 (2022 – $37 million). Such change in value would be partially offset by the change in value of certain post-employment benefit liabilities. All the Group's loans and borrowings have fixed interest rates with prepayment terms at a premium to fair value.

(a.2) Foreign exchange risk – Exposure to foreign exchange risk primarily applies to the Canada Post segment where it arises mainly from international settlements with foreign postal administrations and the redemption of money orders denominated in foreign currencies. The Corporation's obligation to settle with foreign postal administrations is denominated in special drawing rights (SDRs), a basket of currencies comprising the U.S. dollar (US$), euro (€), British pound (£), Japanese yen (JP¥) and Chinese renminbi (CN¥), whereas payment is usually denominated in US$.

The Canada Post segment has an economic hedge program to mitigate its exposure to foreign exchange balances and forecasted sales denominated in SDRs. The mark-to-market adjustment on outstanding forward contracts held at December 31, 2023, was not significant.

Foreign exchange and derivative gains (losses) recognized for the years ended December 31, 2023, and 2022, were not significant. The effect on the remaining foreign exchange exposure of a 10% increase or decrease in prevailing exchange rates at December 31, 2023, all other variables held constant, would have been an increase or decrease in net loss for the year by $16 million (2022 – $21 million).

(a.3) Commodity risk – The Group is inherently exposed to fuel-price increases. It partially mitigates this risk through the use of a fuel-price surcharge on some of its products. This is an industry-accepted practice and long-standing technique in mitigating risk and as a result, does not require derivative instruments to manage the remaining exposure to commodity risk.

(b) Credit risk

Credit risk refers to the risk that a counterparty to a financial instrument will default on its contractual obligations, resulting in financial loss to the Group. Credit risk arises from investments in corporations and financial institutions, as well as credit exposures to wholesale and commercial customers, including outstanding receivables. Sales to consumers are settled in cash or using major credit cards.

The carrying amount of financial assets recorded in the consolidated financial statements, which are presented net of expected credit losses, represents the Group's maximum exposure to credit risk. The Group does not believe that it is subject to any significant concentration of credit risk.

(b.1) Cash equivalents, marketable securities and segregated securities – Credit risk arising from investments in cash equivalents, marketable securities and segregated securities is mitigated by investing with issuers that meet specific criteria and imposing dollar limits by financial product type and debt issuer. Investments in financial institutions and corporations must be investment grade ratings with minimum ratings from two external rating agencies that are equivalent to Dominion Bond Rating Service (DBRS) ratings of R-1 (middle) for short-term investments and A for long-term investments. The Group regularly reviews the credit ratings of issuers with which the Group holds investments and disposes of investments within a specified time period when the issuer's credit rating declines below acceptable levels.

We assessed and increased our estimate of the 12-month expected credit loss on certain marketable securities and segregated asset investments for investment categories with maturities greater than 12 months in 2023. There were no significant allowance and no impairment loss on investments recognized during the year and or held at year's end (2022 – nil).

The following table shows the credit risk concentration by credit risk rate grades of debt securities held as cash equivalents, marketable securities and segregated securities (in millions):

	For the year ended December 31, 2023			For the year ended December 31, 2022		
	R-1 (high)[1] / AAA[4]	**R-1 (middle)[2] / AA[5]**	**R-1 (low)[3] / A[6]**	R-1 (high) / AAA	R-1 (middle) / AA	R-1 (low) / A
Cash equivalents	**50**	**73**	**–**	–	20	–
Marketable securities	**258**	**77**	**–**	578	446	59
Segregated securities	**208**	**96**	**94**	190	93	90
12-month expected credit loss rate	**0.00%**	**0.29%**	**0.29%**	0.00%	0.29%	0.29%

The Dominion Bond Rating Service (DBRS) credit risk rate grades applicable to cash equivalents and marketable securities are considered investment grade and are defined as follows:

1. R-1 (high): Highest credit quality. The capacity for the payment (by the debtor) of short-term financial obligations as they fall due is exceptionally high. Unlikely to be adversely affected by future events.
2. R-1 (middle): Superior credit quality. The capacity for the payment (by the debtor) of short-term financial obligations as they fall due is very high. It differs from R-1 (high) by a relatively modest degree. Unlikely to be significantly vulnerable to future events.
3. R-1 (low): Good credit quality. The capacity for the payment (by the debtor) of short-term financial obligations as they fall due is substantial. Overall strength is not as favourable as higher rating categories. May be vulnerable to future events, but qualifying negative factors are considered manageable.

The DBRS credit risk rate grades applicable to segregated securities are considered investment grade and are defined as follows:

4. AAA: The loan portfolio (of debt securities) is the highest credit quality.
5. AA: The loan portfolio (of debt securities) is superior credit quality.
6. A: The loan portfolio (of debt securities) is good credit quality.

The gross carrying amount of the debt securities approximates their net carrying amount due to the low expected credit loss rate.

(b.2) Trade and other receivables – Credit risk associated with trade receivables from wholesale and commercial customers is mitigated by the Group's large customer base, which covers substantially all business sectors in Canada. The Group follows a program of individual customer credit evaluation based on financial strength and payment history and limits the amount of credit. The Group of Companies monitors customer accounts against these credit limits and the aging of past-due invoices.

Credit risk attributable to receivables from foreign postal administrations, other than the United States Postal Service (USPS), is generally mitigated by corresponding trade payables to each foreign postal administration, under the provisions of the Universal Postal Union. Amounts receivable from and payable to the USPS are settled independently under the bilateral agreement between the

Corporation and the USPS. Estimates of receivables and payables, including monthly provisional payments, are based on statistics for weights and number of pieces exchanged by Canada and the United States. Final settlement with each foreign postal administration can be billed a year or more after the service is performed.

The age of receivables and the allowance for doubtful accounts for trade and other receivables were as follows (in millions):

	As at December 31, 2023	As at December 31, 2022
Trade receivables:		
Current	466	562
1-15 days past due	96	104
16-30 days past due	55	46
Over 30 days past due	47	44
Allowance for doubtful accounts	(11)	(8)
Trade receivables – net	653	748
Trade receivables from foreign postal administrations	197	195
Other receivables	113	110
Trade and other receivables	**963**	1,053

A weighted average expected loss rate ranged from 0% to 2.2% (2022 – 0% to 1.1%), based on historical write-offs, is applied to current and past due amounts and trade receivables aging is monitored to identify potential credit deterioration.

(c) Liquidity risk

Liquidity risk is the risk that a company will not be able to meet its financial obligations as they fall due. Liquidity risk is managed by maintaining adequate cash reserves, banking facilities and reserve-borrowing facilities, by monitoring forecasted and actual cash flows and matching the maturity profiles of financial assets and liabilities. Surplus cash is invested into a range of short-term money market securities. Investments are in high-credit quality government or corporate securities, in accordance with policies approved by the Board of Directors. The Corporation believes it has sufficient liquidity and authorized borrowing capacity to support its operations for at least, but not limited to, the next 12 months from the reporting date, supporting the Corporation's ability to continue as a going concern.

Our long-term borrowing needs are based in part on the timing and amount of contributions to our pension plan. With one of the largest single employer-sponsored defined benefit pension plans in the country, a small change in the discount rate can significantly impact our solvency obligation. Under the *Pension Benefits Standards Act, 1985*, aggregate solvency relief is available up to 15% of a plan's solvency liabilities. Under the *Canada Post Corporation Pension Plan Funding Regulations*, Canada Post has temporary relief from its solvency funding obligations until December 31, 2024. Without this relief, Canada Post would have been required to make special solvency payments of $354 million for 2023. If the solvency relief is not extended beyond 2024, large fluctuations in discount rates or investment returns may result in additional borrowings. As well they may require an increase to our current authorized borrowing limit to finance the Registered Pension Plan as required by law.

The Corporation's borrowing plan is reviewed and approved annually by the Board of Directors and subsequently submitted to the Treasury Board for approval on the recommendation of the Minister responsible for Canada Post and the Minister of Finance, as part of its Corporate Plan approval process (Note 18). Pursuant to the *Canada Post Corporation Act*, the Corporation qualifies for borrowings of a maximum of $500 million from the Government of Canada's Consolidated Revenue Fund, with the approval of the Governor in Council and the Minister of Finance. Pursuant to *Appropriation Act No. 4*, 2009-10, the Corporation is authorized to borrow other than from the Crown an aggregate outstanding amount not exceeding $2.5 billion, in accordance with the terms and conditions approved by the Minister of Finance. Lease liabilities are not considered toward this limit. As part of the total authorized borrowing limit, a maximum of $100 million was available for cash management purposes in the form of short-term borrowings at December 31, 2023.

Letters of credit of $18 million (2022 – $18 million) were issued at December 31, 2023. No amounts were drawn on the short-term borrowing facilities as of December 31, 2023. The Canada Post segment had $1,168 million of unrestricted liquid investments on hand as at December 31, 2023, for a net liquidity position of $170 million (2022 – $923 million), after outstanding loans and borrowings of $998 million (2022 – $998 million). The segment's net liquidity position worsened by $753 million due to continued operating losses and increased costs associated with expanding capacity and maintaining the network.

As at December 31, 2023, the Corporation's subsidiaries had access to financing facilities totaling $155 million (2022 – $170 million), of which no amount (2022 – nil) was drawn at year's end. The subsidiaries also had letters of credit issued in the amount of $9 million (2022 – $9 million). Additional information regarding the Group's loans and borrowings is disclosed in Note 16.

The following table details contractual maturities for financial liabilities. The amounts represent undiscounted cash flows of financial liabilities based on the earliest required payment date. The table includes principal and interest cash flows:

As at December 31, 2023 (in millions)

	Less than one year	Later than one year and not later than five years	Later than five years	Total
Non-interest bearing[1]	1,274	–	–	1,274
Bonds, Series 1	21	87	762	870
Bonds, Series 2	21	520	–	541
	1,316	**607**	**762**	**2,685**

As at December 31, 2022 (in millions)

	Less than one year	Later than one year and not later than five years	Later than five years	Total
Non-interest bearing[1]	1,417	–	–	1,417
Bonds, Series 1	21	87	784	892
Bonds, Series 2	21	541	–	562
	1,459	628	784	2,871

1. Non-interest bearing consists of financial liabilities included in trade and other payables and salaries and benefits payable.

Liquidity risk arising from financial instruments is also affected by the Group's management of debt and equity levels that is summarized in Note 18.

20. Commitments

In the normal course of business, the Group enters into contractual arrangements for the supply of goods and services over periods sometimes extending beyond one year. These contractual arrangements typically contain termination rights which allow the Group to terminate contracts without penalty at its discretion. Disbursements largely depend on future volume-related requirements and consumption. The most significant arrangements relate to contracted transportation and IT services, operating, facility and property management costs, and contracts for the purchase of vehicles and plant equipment.

Contractual arrangements with third-party suppliers that contain a commitment or fee for the ability to terminate for convenience approximated $125 million at December 31, 2023, for contracts in effect until 2045. These commitments exclude agreements with subsidiaries that will become third party suppliers in 2024. Refer to Note 27 for more information.

21. Disaggregation of Revenue

(a) Geographic area revenue information

Revenue reported for geographical areas outside of Canada is, for the Corporation, based on the location of the foreign postal administration hiring the service, and based on the location of the customer hiring the service for the other segments and the business unit. Individual foreign countries that are sources of material revenue are reported separately. The Group has no significant assets located outside of Canada. All intersegment revenue is domestic; therefore, revenue for geographic areas is reported net of intersegment revenue (in millions):

	For the year ended December 31, 2023	For the year ended December 31, 2022
Canada	9,377	9,728
United States	237	257
Rest of the world	172	157
Total revenue	**9,786**	10,142

(b) Products and services revenue information

Revenue reported for products and services is based on information available at the time of sale, such that stamps and meter revenues are reported separately, rather than being attributed to the lines of business (in millions):

	For the year ended December 31, 2023			For the year ended December 31, 2022		
	Total revenue	**Intersegment and consolidation**	**Revenue from external customers**	Total revenue	Intersegment and consolidation	Revenue from external customers
Revenue attributed to products and services						
Parcels	6,471	(161)	6,310	6,692	(199)	6,493
Transaction Mail	1,687	(1)	1,686	1,786	(2)	1,784
Direct Marketing	951	(1)	950	955	–	955
Other revenue	564	(362)	202	542	(318)	224
	9,673	(525)	9,148	9,975	(519)	9,456
Unattributed revenue						
Stamp postage	281	–	281	309	–	309
Meter postage	357	–	357	377	–	377
	638	–	638	686	–	686
Total	**10,311**	**(525)**	**9,786**	10,661	(519)	10,142

(c) Sales channel revenue information

Sales channel revenue is reported for domestic revenue from commercial customers and for domestic retail from sales to consumers. International revenue includes revenue from the United States and the rest of the world as defined in Note 21 (a). Revenue earned by

Innovapost, the information technology (IT) business unit, is eliminated on consolidation. Foreign exchange gains (losses) are presented as "Other" (in millions):

	For the year ended December 31, 2023			For the year ended December 31, 2022		
	Total revenue	**Intersegment and consolidation**	**Revenue from external customers**	Total revenue	Intersegment and consolidation	Revenue from external customers
Domestic						
Commercial	7,152	(163)	6,989	7,199	(201)	6,998
Retail	2,390	–	2,390	2,720	–	2,720
	9,542	(163)	9,379	9,919	(201)	9,718
International	409	–	409	414	–	414
Other	360	(362)	(2)	328	(318)	10
Total	**10,311**	**(525)**	**9,786**	10,661	(519)	10,142

22. Other Operating Costs

(in millions)

	For the year ended December 31, 2023	For the year ended December 31, 2022
Non-labour collection, processing and delivery	2,132	2,222
Property, facilities and maintenance	350	341
Selling, administrative and IT	648	620
Non-capital investment expense	359	269
Other operating costs	**3,489**	3,452

23. Investing and Financing Income (Expense)

(in millions)

	For the year ended December 31, 2023	For the year ended December 31, 2022
Interest income	92	42
Loss on sale of capital assets and assets held for sale	–	(1)
Other income	3	2
Investment and other income	**95**	43
Interest expense	(90)	(83)
Other expense	(3)	(16)
Finance costs and other expense	**(93)**	(99)
Investing and financing expense, net	**2**	(56)

24. Other Comprehensive Income (Loss)

(in millions)

	Items that may subsequently be reclassified to net profit (loss)			Item never reclassified to net profit (loss)	
	Change in unrealized fair value of financial assets	Cumulative foreign currency adjustment	Accumulated other comprehensive income (loss)	Remeasurements of defined benefit plans	Other comprehensive income (loss)
Accumulated balance as at December 31, 2021	56	3	59		
Gains (losses) arising	(93)	1	(92)	4,869	4,777
Income taxes	23	–	23	(1,218)	(1,195)
Net	(70)	1	(69)	3,651	3,582
Accumulated balance as at December 31, 2022	(14)	4	(10)		
Gains (losses) arising	19	–	19	(1,636)	(1,617)
Income taxes	(5)	–	(5)	409	404
Net	**14**	**–**	**14**	**(1,227)**	**(1,213)**
Accumulated balance as at December 31, 2023	**–**	**4**	**4**		

25. Related Party Transactions

The Corporation is wholly owned by the Government of Canada and is under common control with other government agencies and departments, and Crown corporations. The Group of Companies had the following transactions with related parties in addition to those disclosed elsewhere in these consolidated financial statements:

(a) Government of Canada, its agencies and other Crown corporations (in millions)

	For the year ended December 31, 2023	For the year ended December 31, 2022
Related party revenue	**302**	264
Compensation payments for programs		
Government mail and mailing of materials for persons who are blind	**22**	22
Payments from related parties for premises leased from the Corporation	**6**	6
Related party expenditures	**11**	12

The majority of the related party revenue was for commercial contracts relating to postal services with the Government of Canada. As well, compensation was provided by the Government of Canada for parliamentary mail services and mailing of materials for persons who are blind sent free of postage (Note 2) (in millions):

	As at December 31, 2023	As at December 31, 2022
Due to/from related parties		
Included in trade and other receivables	**19**	20
Included in trade and other payables	**18**	14
Deferred revenue from related parties	**1**	1

For related party lease information, refer to Note 17 (a).

(b) Key management personnel compensation

Key management personnel (KMP) are defined as the Boards of Directors and members of the senior executive teams responsible for planning, controlling and directing the activities of the Group.

The remuneration of the KMP was as follows (in millions):

	For the year ended December 31, 2023	For the year ended December 31, 2022
Short-term employee benefits	**14**	14
Post-employment benefits	**1**	1
Total compensation	**15**	15

The KMP Group of Companies' compensation relating to the Boards of Directors included in this table was $0.8 million (2022 – $0.8 million).

In 2023, there was no additional KMP remuneration relating to one-time termination benefits (2022 – nil). There were no transactions with the KMP other than compensation.

(c) Transactions with entities in which the KMP of the Canada Post Group of Companies has control or joint control

In the normal course of business, the Group of Companies may interact with companies whose financial and operating policies are solely or jointly governed by the KMP of the Group. Affected KMP are required to recuse themselves from all discussions and decisions relating to transactions between the companies. The only significant transactions for the year ended December 31, 2023, were between Purolator and a company controlled by one of the Group's KMP, who is a director and also a minority shareholder of Purolator. This company provided air services to Purolator in the amount of $15 million (2022 – $15 million). These transactions had been made at prices and terms comparable to those given to other suppliers of Purolator.

(d) Transactions with the Corporation's pension plans

During the year, the Corporation provided administration services to the Canada Post Corporation Registered Pension Plan in the amount of $15 million (2022 – $15 million). As at December 31, 2023, $11 million (2022 – $12 million) relating to transactions with the Registered Pension Plan was outstanding and included in trade and other receivables. Cash payments, including contributions to the defined benefit plans and defined contribution plans, are disclosed in Note 11 (i).

26. Segmented Information

Operating segments –Intersegment transactions are recognized at the exchange amount, which is the amount agreed to by the various legal entities. With the exception of the information technology (IT) business unit delivering shared services on a cost-recovery basis, the terms and conditions of these transactions are comparable to those offered in the marketplace. On a consolidated basis, no external customer's purchases account for more than 10% of total revenue.

For the year ended December 31, 2023, the IT business unit earned intersegment revenue of $362 million (2022 – $318 million), incurred cost of operations of $362 million (2022 – $318 million), and earned net profit of nil (2022 – nil). Total assets and liabilities at December 31, 2023, were $150 million and $96 million, respectively (2022 – $151 million and $98 million, respectively).

For the year ended and as at December 31, 2023 (in millions)

	Canada Post	Purolator	SCI	Innovapost and elimination of intercompany	Total
Revenue from external customers	6,855	2,611	320	–	9,786
Intersegment revenue	87	42	34	(163)	–
Revenue from operations	6,942	2,653	354	(163)	9,786
Labour and employee benefits	4,889	1,153	152	120	6,314
Other operating costs	2,545	1,096	135	(287)	3,489
Depreciation and amortization	353	108	49	4	514
Cost of operations	7,787	2,357	336	(163)	10,317
Profit (loss) from operations	(845)	296	18	–	(531)
Investment and other income	162	17	4	(88)	95
Finance costs and other expense	(65)	(20)	(8)	–	(93)
Profit (loss) before tax	(748)	293	14	(88)	(529)
Tax expense	25	79	4	–	108
Net profit (loss)	(773)	214	10	(88)	(637)
Total assets	10,181	2,235	418	(317)	12,517
Cash payments for capital assets	465	204	13	–	682
Total liabilities	6,747	944	275	(23)	7,943

For the year ended and as at December 31, 2022 (in millions)

	Canada Post	Purolator	SCI	Innovapost and elimination of intercompany	Total
Revenue from external customers	7,068	2,799	275	–	10,142
Intersegment revenue	114	35	52	(201)	–
Revenue from operations	7,182	2,834	327	(201)	10,142
Labour and employee benefits	5,051	1,173	140	107	6,471
Other operating costs	2,402	1,230	132	(312)	3,452
Depreciation and amortization	323	93	37	2	455
Cost of operations	7,776	2,496	309	(203)	10,378
Profit (loss) from operations	(594)	338	18	2	(236)
Investment and other income	114	7	1	(79)	43
Finance costs and other expense	(68)	(28)	(3)	–	(99)
Profit (loss) before tax	(548)	317	16	(77)	(292)
Tax expense (recovery)	(156)	88	4	–	(64)
Net profit (loss)	(392)	229	12	(77)	(228)
Total assets	12,235	2,153	325	(326)	14,387
Cash payments for capital assets	393	183	9	–	585
Total liabilities	6,852	953	185	(35)	7,955

27. Events after the reporting period

SCI Group Inc. – On March 1, 2024, the divestiture of SCI Group Inc. was completed, and control was transferred to the acquirer (Note 8). Estimated sale proceeds and gain on sale of $356 million and $222 million, respectively, will be reported in the interim condensed consolidated financial statements for the 13 weeks ended March 30, 2024. Amounts were determined prior to the closing date, based on the estimated statements of SCI Group Inc. The purchase price determination is due to be finalized after a due diligence period, which may result in an adjustment to these amounts.

The agreement for SCI to provide warehousing and logistics services to Canada Post and Purolator following the divestiture now represents a contractual arrangement with a third-party supplier with commitments upon termination by the Group of $41 million, in effect until 2028.

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