CANADA POST CORPORATION

SUMMARY OF THE 2019 TO 2023 CORPORATE PLAN (PLAN)

2019 OPERATING BUDGET

2019 CAPITAL BUDGET

2014, 2015, 2016, 2017 Financial Results

2016, 2017 and 2018 Planned Capital Budgets

The information in this document is current to October 19, 2018, the date when the 2019 to 2023 Corporate Plan, and the 2019 Operating and Capital Budgets were approved by the Board of Directors of Canada Post Corporation.

The Minister responsible for Canada Post did not expect Canada Post to produce a corporate plan for the years while Canada Post was under review.

TABLE OF CONTENTS

1. EXECUTIVE SUMMARY

The overall condition of Canada Post[1]

Canada Post has embraced the Government of Canada's vision for renewing the postal service, anchored in an emphasis on service to Canadians. We are also working hard to better collaborate with our unions, and other stakeholders, to improve the employee experience and create an even more highly engaged workforce to position us for the future.

Canada Post achieved four consecutive years of profitable operations (2014-2017 inclusive). This was due to incredible growth in e-commerce and our success in becoming Canada's parcel delivery leader. This was achieved in a challenging operating environment. In this digital era, the relentless decline of Lettermail volumes and the rising dominance of digital advertising, which challenges our direct mail business, exerted downward pressure on our finances. These factors continue to influence our forecasts in this Plan. As well, resolving pay equity for rural and suburban delivery employees upheld the fundamental principle of gender equality, which we embrace. The costs of implementing it will contribute to a loss in 2018.

Going forward, strong growth in parcels volumes will continue to strengthen our financial results compared to last year's corporate plan. In fact, in 2019, we expect a historic first: Parcels revenue is forecasted to exceed Transaction Mail revenue. This will occur in an operating environment which is intensely competitive, dynamic and unpredictable. As well, as a prerequisite to achieving the forecasted growth in Parcels revenue, we must invest significantly in our parcel delivery, sortation and customer experience. In the end, although Canada Post is in a financially viable position today, the forecasted growth in Parcels revenue will not be enough for the Canada Post segment to achieve profitability throughout this Plan's period, nor will it be enough to make Canada Post financially self-sustaining in the long term.

Strategic issues that need government attention

The key strategic issue for Canada Post today is to chart a course to long-term financial self-sustainability.

This Plan identifies the potential need for either additional borrowing or additional pension funding relief during this Plan's period (see section 6.2), if nothing else were to change. In our 2020 corporate plan, we will aim to mitigate those potential needs.

Canada Post's major objectives, activities, risks

This Plan details our significant activities, including our commitment to, and investments in, the pillars of the Government's new vision for Canada Post, such as improving the accessibility of our delivery services.

Our major objectives include: meeting the challenge and opportunity of growing in e-commerce through investments in the network and customer experience; supporting the resilience of our direct mail business in a largely digital advertising market; improving our IT infrastructure; and improving labour relations and the employee experience, including the health and safety of our employees. Major risks include competitive threats, the uncertain pace of mail's decline, and volatility affecting the pension.

The strategies to achieve these objectives

We will continue to focus on being a leader in e-commerce delivery, as we develop a new strategic plan to align with the Government's vision.

The major decisions of the plan period (key capital projects, new activities, financing and borrowing)

Capital projects that total more than $3.6 billion, over the five years of this Plan, will transform and expand our network, enhance the customer experience and modernize our IT infrastructure. These anchor the major initiatives of this Plan's period, and will build the foundation for us to keep pace with the growth in e-commerce and the expectations of Canadians and Canadian businesses.

1. "Canada Post" refers to the Canada Post segment and does not include subsidiaries (the other members of the Canada Post Group of Companies).

In conclusion

This Plan does not forecast ongoing annual profits for the Canada Post segment, or solve its challenge of becoming financially self-sufficient in the long term. By far the key driver of a more positive outlook is increased parcel growth. This is partially offset by the impact of resolving pay equity for Rural and Suburban Mail Carriers, increased post-employment costs, and the necessary but significant investments that are planned.

This Plan represents the first significant steps we have taken to align with the Government's new direction, building on our success as an e-commerce leader.

2. OVERVIEW

The Canada Post Group of Companies (Group) is one of Canada's largest employers with approximately 64,000 employees.

During 2017, our employees delivered almost 8.4 billion pieces of mail, parcels and messages to 16.2 million addresses across Canada. The Canada Post segment operates the largest retail network in Canada with nearly 6,200 retail post offices in the country. A Crown corporation since 1981, Canada Post reports to Parliament through the Minister of Public Services and Procurement, and has a single shareholder, the Government of Canada.

Pursuant to the *Canada Post Corporation Act* (Act), we have a mandate to provide a standard of postal service that meets the needs of Canadians. We provide quality postal services to all Canadians – rural and urban, individuals and businesses – in a secure and financially self-sustaining manner.

Our Universal Service Obligation (USO) is set out in the Canadian Postal Service Charter (Service Charter). The latter was established by the Government of Canada, in 2009, and states the following:

- 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.
- The provision of postal services to rural regions of the country is an integral part of Canada Post's universal service.
- Canada Post has an obligation to charge postage rates that are fair and reasonable and, together with other revenues, are sufficient to cover the costs incurred in its operations.

In addition to our core postal services and USO, we deliver certain public-policy programs on behalf of the Government of Canada. Pursuant to the Act, members of Parliament and certain senior government officials are allowed to send mail free of charge. The Act also provides for free mailing of materials for blind persons. Public and academic libraries can move books and other materials between libraries, and library users at reduced postage rates.

A more detailed overview of Canada Post Corporation (Corporation) can be found in the Corporation's 2017 Annual Report available at canadapost.ca

3. OPERATING ENVIRONMENT

3.1 Ministerial Letter - January 24, 2018

In 2016, the Government of Canada announced a review of Canada Post. Its purpose was "…to help put Canada Post on a self-sustaining footing, while providing valuable services for Canadians well into the future." At the conclusion of the review, the Minister responsible for Canada Post, the Hon. Carla Qualtrough, wrote the above referenced letter to Canada Post's Chair of the Board of Directors, Ms. Jessica L. McDonald, providing her with direction for her term.

This letter detailed the shareholder's new vision for Canada Post for providing Canadians with "…high-quality service at a reasonable price to Canadians no matter where they live…Canada Post must be efficient and financially sustainable for the long term, generating revenues that support current and future services, and enable ongoing innovations."

The Government identified five areas to focus on in support of "Building the Foundation for Renewal." We have incorporated these five areas into our major objectives, and began working on them in the first quarter of 2018. Accessibility, a new culture of collaboration and promoting remittance services are areas in which we have quickly gained traction.

The five areas of focus are:

1) Ending the Program of Converting Door-to-door Delivery to Community Mailboxes

The review directed the conversion of door-to-door delivery to community mailboxes (CMBs) deliveries be terminated. Before this decision, we had temporarily suspended conversion while awaiting the outcome of the review.

When we suspended conversions, there were 2,280 sites in 12 municipalities where the installation of new CMBs had begun, but was not completed. As a result of the Government's decision to terminate the conversion program, these unused sites had to revert back to their original state. This meant removing all modules, pads, retaining walls, interlock and replacing curbs which had been cut to allow access to the CMBs. The conversion project was estimated to cost $4.7 million.

The remedial work started in July and is now 95 per cent completed. There have been very few questions or concerns expressed by Canadians. We continue to update municipalities on the progress of this work.

2) Accessibility Advisory Panel (AAP)

The new vision asks us to "…establish a national panel including experts and key organizations for disability and seniors' issues, including individuals with lived experiences." This panel is to advise on the development, implementation and promotion of an enhanced accessible delivery program. Once the enhanced program is implemented, the panel could provide annual feedback on the program's effectiveness.

Canada Post is committed to ensuring that all Canadians, including seniors and persons with disabilities, have access to their mail and parcels. We have a dedicated team in place to respond to each customer's needs on a case-by-case basis, and together determine appropriate accommodation options. We recognize the need to ensure our delivery accommodation program continues to meet the changing needs of Canadians. We also recognize the benefits of enhancing and further promoting our program.

We have worked diligently to bring together this new Panel. We have engaged with a variety of stakeholders who represent seniors and persons with disabilities. We asked them to identify individuals they would recommend to be part on a new advisory panel. In addition, we sought insight from federal organizations and municipalities who have similar accessibility advisory panels or committees. We also consulted with the Government's Accessibility Secretariat about the key attributes this advisory panel should have, as well as on the new Bill C-81, an *Act to ensure a barrier free Canada*. We have carefully balanced the membership on our panel to ensure a variety of disabilities are represented, as well as gender, geographic and linguistic diversity.

Our extensive research has allowed us to develop terms of reference for the new AAP. Key elements of the terms of reference include:

1) Members are selected on the basis of their capacity to provide Canada Post with the highest quality advice in matters pertaining to the AAP's mandate, having regard for their lived experiences, as well as expertise and experience in policy development and community engagement and outreach.
2) Our AAP will consist of a maximum of 15 external members plus a Chair. A member of Canada Post's senior management team serves as Chair.
3) Members are appointed on a three-year term, with the possibility of renewal.
4) Members are provided an honorarium for their participation and are reimbursed for reasonable travel, accommodation and other expenses incurred in fulfillment of their service.
5) The AAP meets twice annually, or as required by circumstances.

The following 12 individuals have been invited to serve on the panel:

- Neil Belanger, Executive Director, BC Aboriginal Network on Disability Society (BCANDS)
- Diane Bergeron, VP, Engagement and International Affairs, Canadian National Institute for the Blind (CNIB)
- Gary Birch, Executive Director, Neil Squire Society
- Kory Earle, President of the Executive Committee, People First of Canada
- Shelley Fletcher, Executive Director, People First of Canada
- Steven Estey, Interim National Coordinator, Canada Council for People with Disabilities
- Dean Mellway, Special Advisor, READ Initiative (Carleton University)
- Danis Prud'homme, Executive Director, Fédération de l'Âge d'Or du Québec (Réseau FADOQ)
- Andria Spindel, President and CEO, March of Dimes Canada
- Laura Tamblyn Watts, Chief Public Policy Officer, Canadian Association of Retired Persons (CARP)
- Pamela Valentine, President and CEO, MS Society
- Claude Guimond, Executive Director, La Confédération des organismes de personnes handicapées du Québec (COPHAN)

We take our duty to remove barriers and accommodate disabilities and mobility issues very seriously. We are working diligently to ensure our operations and services respect Canadians' rights to dignity, autonomy and privacy, and that everyone has equal opportunity to access our services and compete for a job. In all aspects of our operations, when a situation of inaccessibility is brought to Canada Post's attention, we take action to address the situation as quickly as possible.

For Canada Post, Bill C-81, *An Act to Ensure a Barrier-Free Canada*, is an opportunity to improve accessibility to our services and facilities to meet the needs and expectations of an aging population. Canada Post recognizes the significance of this legislation to Canadians, the Government of Canada and parliamentarians, including our Minister, who is a champion for accessibility and removing barriers. We also know that as a Crown corporation, we can and must always do more in this area. Identifying, removing and preventing barriers is a continuous evolution. We take very seriously our obligations under the *Canadian Human Rights Act* as well as the *Employment Equity Act*. We strive to ensure our services and facilities are accessible to all Canadians.

3) Efforts in Creating a Culture of Collaboration

Under the heading "New Leadership and a Culture of Collaboration", the above referenced Ministerial letter notes the need for "…better relations between management and labour."

We recognize the importance of strong relationships with our employees and our unions and have made improving them a priority. We have taken several significant steps towards integrating the views and ideas of employees and their representatives into our thinking.

Building on our experience from a Relationship Committee formed with CUPW in 2016, we have taken several other steps to build a collaborative approach to addressing issues in our organization. All four bargaining agent presidents were invited to form a Respect in the Workplace Committee with the Chair and the Chief Human Resources Officer to address issues of bullying and harassment. Senior management in our human resources team invited union representatives to form a committee on mental health in the workplace. We are looking at resolving workplace issues which are meaningful to employees in new ways which quickly show we are listening to them and, whenever possible, responding accordingly.

At Canada Post, we believe in an open workplace where employees have an opportunity to raise issues and to be part of the conversation in terms of how the workplace needs to improve in some cases, but also to evolve and adapt so that it is a productive and respectful place for employees to work. We need to have open dialogues and be willing to open conversations, to make sure we are clearly hearing potential concerns. We need to make sure we are always truly willing to adapt our processes and systems so that employees have an active voice in how the workplace feels and how their careers evolve. Our efforts, including taking a new approach to collective bargaining (see Section 3.3), reflect a renewed commitment to working with all of our employees and unions to build our future together.

4) Reinvesting Profits in the Corporation

While subject to Schedule III, Part II, of the *Financial Administration Act* (FAA), we were required to submit a proposed annual dividend policy as part of our corporate plan. Since 2009, given our financial results, outlook, and ongoing large capital investments, the Government had allowed us to forego paying dividends.

The Government's new vision calls for our profits to, henceforth, be reinvested into service initiatives and innovations. On September 24th, 2018, the Governor in Council rescheduled us from Schedule III, Part II to Schedule III Part I, under the FAA. As such, we are no longer required to submit an annual dividend proposal as part of our corporate plan.

Investments into service initiatives are a major theme of this corporate plan. Indeed, this plan proposes $3.6 billion of capital investments of which $1.5 billion is for strategic initiatives associated with increasing parcel processing and delivery capacity across the country.

5) Promoting Remittance Services

The government's new vision reiterates its commitment to "…make remittances more affordable for Canadian workers to send money overseas." We are working on improving our remittance services.

Today, remittance services are facilitated through our contract with MoneyGram, which allows Canadians to send money electronically to support family outside of Canada. The top three destinations for both MoneyGram and Canada Post are India, Africa and the Philippines.

Our short-term plan is to increase consumer awareness both through MoneyGram led advertising and our own initiatives. MoneyGram and Canada Post are working on improving product offerings.

Directive for Crown Corporations on Travel, Hospitality and Conferences

On July 16, 2015, the Governor in Council issued a directive (PC 2015-1114) to Crown corporations to align their travel, hospitality, conference and event expenditure policies with those of the Treasury Board. We have implemented these new policies and procedures with some adjustments, to account for the size, scope and activities of our organization. Earlier this year, we communicated these adjustments to the Minister responsible for Canada Post, the Hon. Carla Qualtrough.

The adopted business processes and new systems software help to ensure compliance with the travel directive, as well as good governance and efficiencies we require to achieve our commercial and core mandates.

We posted our first quarterly Proactive Disclosure reports on our website on July 31, 2018. The year-end Disclosure report will be posted in early 2019.

Compliance with PC 2013-1354

Management and Exempt Employees account for four per cent of our workforce. We have recruitment and retention needs for skilled staff to manage the complex operations of a $6 billion entity. We remain mindful of the need to ensure the compensation framework allows for achieving our business and talent management objectives, in a cost-effective manner. The Board of Directors' Human Resources and Compensation Committee (HRCC) has oversight to ensure compensation is linked with performance, remains affordable, appropriate for our organization, and is based on principles of competitiveness, fairness, pay-for-performance and equity.

In accordance with PC Order 2013-1354 of December 2013, we must obtain Treasury Board's approval before we can fix the terms and conditions of employment for our non-unionized employees who are not appointed by the Governor in Council. Treasury Board approvals were obtained where necessary.

3.2 Our Employees

Our greatest strength is our proud, hard-working and dedicated employees. They are our most valuable resource and they are aware that millions of Canadians count on them year-round. Our employees know that the parcels and mail they process and deliver, and the services we provide, help Canadian businesses succeed. Every day, we benefit from the pride displayed by tens of thousands of our employees. We are one of the largest employers in Canada with approximately 44,000 full-time, 7,100 part-time and 10,000 term and temporary employees. Of those, approximately 2,300 are non-union/management employees. Our people work and live in every urban, rural and remote community across the country.

Culture of Collaboration

We have embraced the Government's priority to improve relations between management and our unions. We are working hard in several ways to create a culture of collaboration. We believe that real engagement, away from the bargaining table, at a senior level and focused on areas that represent mutual concerns or opportunities, might gradually help to improve these relationships. This kind of engagement is an opportunity to build dialogue, trust and collaboration that promises to benefit all of us.

Given its role in guiding the strategic choices of the Corporation and the request from the Minister in her letter to the Chair that the new Board play a role in improving the management-labour relations, a new Committee of the Board was formed (Labour Relations Committee). Its role is to provide oversight and guidance on issues of relevance to improving the relationship with our unions as well as on key initiatives such as collective bargaining and, in 2018, pay equity for CUPW-RSMC employees.

Efforts have been made by management to ensure we are listening more closely to the unions' concerns, giving due consideration to, and showing movement where possible, on matters that are important to them and to employees.

We will continue to seek out multiple avenues to discuss and share business opportunities and seek timely and regular feedback from our unions, as well as from other key stakeholders, including municipalities and elected officials. We hope that an open, constructive and respectful dialogue will lead to more innovative, realistic and sustainable business strategies to position us to compete into the future.

The Association of Postal Officials of Canada (APOC) represents employees who are primarily responsible for the supervision of mail processing, mail transportation, mail delivery and sales activities. We have a business partnership with APOC, which is important to both parties, as APOC represents a crucial group, team leaders, who are often viewed by frontline employees as part of management. In support of this partnership, the parties have established a number of joint committees that allow for the sharing of information and the resolution of issues in a timely fashion.

The most recent indication of the strong positive relationship with APOC is the signing of the last collective agreement four months before the previous agreement expired. The agreement was reached in September 2017 and ratified in November 2017. This was a significant event, as we had never reached and signed a new collective agreement with, any bargaining agent, four months before the expiry of a current agreement. The new agreement provided for a wage increase, benefit improvements and other enhancements. It does not permit a strike or lockout. Rather, items in dispute are referred to final offer selection arbitration.

The Canadian Postmaster and Assistants Association (CPAA) represents employees who provide postal service in post offices in rural areas of Canada, ranging from small communities of 15 to 20 Canadians, to villages and towns with a larger customer base. We have enjoyed a good working relationship with CPAA. The current collective agreement will expire on December 31, 2018. The parties are preparing for negotiations that will start this fall.

The Canadian Union of Postal Workers (CUPW) – Urban Postal Operations (CUPW-UPO) represents employees responsible for mail processing, collection and delivery, and some urban retail outlets. CUPW-UPO also includes employees responsible for the maintenance of the equipment used to process the mail, as well as maintenance of our fleet of vehicles.

CUPW Rural and Suburban Mail Carriers (CUPW-RSMC) represents employees who transport and deliver mail in rural and some suburban areas in Canada.

Throughout 2018, several steps have been taken to open a more regular dialogue and identify new ways to work together to resolve the challenges facing Canada Post. This includes addressing overtime management issues, information sharing and an outstanding legal issue dating back to 2012, which were identified as issues of importance by CUPW. By its very nature, collective bargaining is somewhat oppositional. Nevertheless, for the current round of bargaining, we have already implemented a new approach based on working collaboratively to solve long-term issues. We will continue building on this latest approach, for the future.

The Public Service Alliance of Canada (PSAC) represents employees who hold a wide variety of positions in areas such as administrative services, including call centres, administration, control and reporting, as well as technical employees in areas such as finance and engineering.

We have worked hard to improve our relationship with PSAC. In the most recent round of bargaining, we reached an agreement in November 2017 following 13 months of negotiations with no threat of strike or need for third-party intervention. The agreement contains more flexibility in job security and post-retirement benefit provisions, among other changes.

Management and Exempt Employees account for four per cent of our workforce. We have recruitment and retention needs for skilled staff to manage the complex operations of a $6 billion entity. We remain mindful of the need to ensure the compensation framework allows for achieving our business and talent management objectives, in a cost-effective manner. The Board of Directors' Human Resources and Compensation Committee (HRCC) has oversight to ensure compensation is linked with performance, remains affordable, appropriate for our organization, and is based on principles of competitiveness, fairness, pay-for-performance and equity.

Employees and Bargaining Units at Canada Post[1]

Bargaining Agent	Expiration of collective agreement	Number of Employees			
		Full-time	Part-time	Temporary/ Casual/Term	Total
APOC	March 31, 2021	3,352	35	114	3,501
CPAA	December 31, 2018	3,377	1,713	2,699	7,789
CUPW - Urban Postal Operations	January 31, 2018	26,564	5,353	5,597	37, 514
CUPW – Rural and Suburban Mail Carriers (RSMC)	December 31, 2017	7,639	0	1,012	8,651
PSAC	August 31, 2020	1,132	33	155	1,320
XMT/MGT	Not applicable	1,966	2	94	2,062
EXEC	Not applicable	323			323
Total		**44,353**	**7,136**	**9,671**	**61,160**

[1] Data as of Period 6 2018 (June 30th) and includes all active and inactive employees.

Pay Equity

Gender equality is a basic human right, fundamental to our values and those of Canadians, and therefore pay disparity on the basis of gender is wholly unacceptable for our organization.

On September 1, 2016, Canada Post and the CUPW-RSMC signed a memorandum of understanding in which they agreed to enter into a joint pay equity study to assess whether a gender-based wage gap existed under the *Canadian Human Rights Act* for RSMC occupational groups. The parties also agreed if they could not reach a common understanding of the questions at hand, they would resort to an arbitrated outcome. On September 20, 2018, after many months of hearings, mediation and arbitration, Arbitrator Flynn rendered her decision.

The decision defined the wage gap and outlined the elements associated with pay equity. We are committed to addressing this decision, and we will move as quickly as possible to implement every improvement for employees. We have already agreed to a joint process with CUPW to manage the implementation.

We are forecasting the CUPW-RSMC pay equity provision will reach over $540 million by the end of 2018. The provision reflects retroactive wages from 2016 to 2018, as well as increased costs related to pension and post-retirement benefits. We are also projecting that Arbitrator Flynn's decision will result in a steady state annual cost of approximately $140 million starting in 2019. Actual payments will differ and be subject to changes in discount rates.

Talent Acquisition and Diversity

We remain committed to managing the size of our workforce to ensure it is properly aligned with our business requirements. The volume of attrition represents both a risk and an opportunity. The high turnover will create operating and cost pressures, but also offer an opportunity to recruit employees with the skills necessary to meet emerging business and customer demands. Our human resource strategies, initiatives, and programs are designed to ensure we can successfully respond to the attrition forecast, and meet the above demands.

Over the next five years, we anticipate about 11,000 employees will leave our organization, largely through retirement. In 2017, we hired 532 regular, 7,188 temporary and 3,707 term employees. In addition, we hire in earnest for the holiday peak season by bringing in temporary employees each fall.

With a customer base as diverse as the country itself, we recognize employee diversity and workplace inclusivity are business imperatives. A balanced and equitable workforce, representative of the Canadian labour market, provides an opportunity for greater innovation, productivity and service. We strive to ensure individuals who have historically been under-represented in the Canadian workplace (such as women, indigenous people, persons with disabilities and members of visible minorities) have fair and equitable access to our employment opportunities. This means ensuring recruitment and hiring processes (as well as opportunities for promotion) are equitable and open to all during the selection process, and that accommodations are available to ensure equality of opportunity. We also use strategies including updated marketing and employment branding, as well as direct outreach to members of the four designated groups: women; indigenous people; persons with disabilities, and members of visible minorities. This approach ensures we are able to support our future business and operating environment, and reflects the diversity of the Canadian communities we serve.

Our efforts and endeavours to improve workplace inclusivity are summarized in our Employment Equity Annual Report, which we submit to Employment and Social Development Canada (ESDC) each year, as well as our annual multiculturalism report to Heritage Canada.

We have also submitted our annual multiculturalism report to Heritage Canada to demonstrate the work we have accomplished on increasing cultural diversity both within and outside of the workplace. For example, our activities have included diverse outreach efforts for hiring. We have established community support programs which have benefitted, among others, diverse organizations and communities (the Canada Post Community Foundation for Children). We have engaged in marketing and philately programs which promote cultural diversity across Canada.

Over the next five years, we will leverage the strength and diversity of our human resources to realize our growth objectives. Our approach will be to develop pragmatic strategies to attract and retain talent while simultaneously reflecting market realities, economic conditions, and competitive pressures. For example, we will be examining ways to better forecast labour requirements, and offer a more compelling value proposition to temporary frontline employees which is clear, flexible and appealing to a broad spectrum of citizens. We will continue to offer good job opportunities in our local communities. We will also develop and deploy robust, cross-functional succession plans in high-risk areas.

Mental Health

Managing mental health is an enormous issue for Canadian citizens and businesses. This is equally true for our organization. Mental health is the second highest cause of disability for employees on Short Term Disability leave, and it is the leading cause of disability for those on Long Term Disability leave. The number of drug prescriptions for mental health conditions and employee requests for assistance and psychological counselling confirm our employees need support and strategies to prevent and address mental health challenges. As a responsible and concerned employer, we need to ensure our people are at their best at work and at home.

Using the Federal Public Service Workplace Mental Health Strategy as a framework, we strive to engage both our leadership team and employees, throughout the organization, to promote and embrace healthy workplace practices and foster improved physical and mental well-being.

We plan to expand our tool-kit and provide more end-to-end support to team leaders and employees to help them deal with mental health challenges.

Our short-term plan will include three major components: a Mental Health Awareness campaign; continuation of Leadership Mental Health Training Program, and introduction of a new team leader tool.

The Mental Health Awareness Campaign will be launched with a goal to improve awareness and enhancing the conversation on mental health and well-being throughout our organization. The campaign is designed to achieve three things: 1) make it clear that mental health and employee well-being is as valued and respected as the physical safety of our people; 2) package the existing support and services options available that enable mental health and well-being and make them easier to access, and 3) frame mental health in a way that is approachable and non-threatening to all employees – including those concerned about the stigma of asking for help.

Continuation of the Leadership Mental Health Training Program will be rolled out to an additional 1,700 leaders in 2019.

Our long-term plan will be developed in conjunction with major stakeholders, including our unions. It will include the following components: data gathering, incorporation of industry best practices, Federal Public Service Mental Health Strategy, Policy and Practise review, and focus on prevention strategies.

Health and Safety

We are committed to creating and maintaining a healthy and safe environment for all employees, visitors and contractors. We strive to achieve the highest safety standards for our operations, in our facilities, and for every employee, contractor or visitor. We believe injuries and occupational illnesses are preventable.

Our team leaders and management are committed to eliminating hazards, reducing risks and improving compliance through process improvements and by increasing safety awareness. Each employee receives mandatory, job-specific safety training. It is designed to ensure that safety knowledge, awareness and job-specific hazards are addressed and that safe behaviour and safety knowledge not deteriorate. When incidents or injuries do occur, we conduct detailed investigations. Our follow-up focuses on improving our safety systems, training, procedures and practices. This is meant to reduce the risk, eliminate the hazard and mitigate the possibility of similar incidents or injuries occurring.

Clear safety expectations, metrics and reports assist our management team in focusing effectively on this crucial responsibility. New safety dashboards have been developed and are being cascaded to local operations teams. Compliance audits are conducted throughout the year in high-risk areas by third-party auditors and our Health and Safety team. These identify existing compliance gaps, associated risk levels and help us to create remediation plans as required.

Safety leadership is vital to building a safety culture. We have introduced clear expectations on actions and behaviours related to workplace safety throughout all levels of our management. Safety criteria are part of performance scorecards and will continue to evolve over this Plan's period.

In 2018, we strengthened our safety awareness communications to better equip team leaders to help keep employees safe as our operational employees handle ever higher parcel volumes. This ambitious project began with a months-long, multi-function analysis of existing materials and trends measured in our injury data. It leveraged the vast experience of health and safety and operational leaders across the country. Through the National Joint Health and Safety Committee, CUPW reviewed new safety communication documents, and we revised dozens in response to their input. The result was a reorganized, streamlined and multi-media internal website that launched in August 2018 under the banner of "Make it safe, make it home." All safety material and programs now fall into three categories: Life safety (the activities that are more likely to result in a fatality, such as driving or working at a conveyor); Basic safety (the activities that could injure, but are unlikely to result in a fatality); and Leadership (the knowledge, activities, approach and behaviours team leaders should employ to strengthen our safety culture). At 30 meetings across the country, held from April through June 2018, more than 3,400 team leaders learned about the campaign from senior leaders and saw nearly 70 of their colleagues share insights about their safety leadership on videos.

We follow a multi-year injury prevention and safety promotion strategy, which focuses on regulatory compliance and incident and injury reduction. In 2018, we introduced enhanced safety tools to identify hazards and to reduce risks. These include root-cause analysis tools, leadership assessment tools, hazard prevention programs, and Local Joint Health and Safety Committee (LJHSC) effectiveness assessments. We created facility safety inspection tools, Real Estate building condition inspections and testing programs, and improved our service provider contract requirements. We have also improved seasonal readiness and peak season safety. As well, our new Snowflake Winter Footwear program started in 2017 encourages employees to buy products proven by research to resist slipping.

We continue to review and enhance existing safety tools and processes to recognize hazards, minimize risk, and create targeted incident and injury prevention plans. These are meant to reduce both the probability and impact of incidents and injuries.

Various other programs and practices are under way. These include mental health programs, programs to prevent violence in the workplace, programs to encourage respect and fairness in the workplace (in collaboration with our Unions), and training to protect delivery agents in the field.

Our goal is to ensure all employees return home in the same condition they came to work in, to reduce our injury rates, and to be recognized as an industry leader in health and safety. We believe an integrated, persistent and concerted focus on safety leadership behaviours, prevention and risk management, coupled with active team leader, employee and union engagement, will achieve this goal.

3.3 Commercial Environment

Parcels

Parcel delivery and e-commerce markets have been experiencing staggering growth in recent years. Our strategy to be a leader in the business-to-consumer (B2C) e-commerce delivery resulted in another year of growth in 2017. For the first time, we exceeded the $2 billion in revenue by processing 242 million parcels. Domestic parcel volumes for the Canada Post segment grew by 22.3 per cent in 2017.

When compared to just five years earlier (2012), these results represent a sizeable growth of $835 million in revenue, and 89 million pieces.

This growth is the result of our tireless efforts to play a key role in enabling commerce for Canadians and Canadian businesses by tapping into strong e-commerce market opportunities.

We are the largest parcel delivery company in Canada. However, the sheer scale of the e-commerce parcel market has attracted both new competitors and new, different types of competition, challenging traditional models. We believe investments in fundamental operational and IT capabilities, ongoing development of the consumer delivery experience, a balanced win-win approach to managing both our largest customers and foreign relationships, will allow us to continue to capitalize on e-commerce growth.

More than ever, Canadian consumers spend time and money online. They increasingly expect lower prices, free shipping and faster delivery times. New delivery models are being developed to meet, and exceed, consumer expectations by offering quicker delivery, at practically any time of day. Emerging digital technologies including mobile, artificial intelligence and voice applications are creating new, more efficient ways for consumers to purchase products online. Such advancements lead to greater demand for e-commerce parcel deliveries.

The new vision for Canada Post asked us to examine options for innovative parcel delivery models. A key initiative for 2018, and beyond, is the deployment of indoor parcel lockers in multi-unit residential buildings (condominiums and apartment buildings). These lockers offer convenient and safe residential delivery options for parcels which would otherwise not fit in the conventional mail slots found in multi-unit buildings.

The demographics of the e-commerce market are changing. Growth from top e-commerce customers is significantly outpacing growth of the e-commerce market itself. This change in demographics, along with the increasing demand for shorter delivery times, have prompted some retailers to consider consolidating their deliveries, or providing their own delivery options. In either case, their objective is to achieve greater control and ownership of their respective supply chains. As such, we expect a rise in same day, local delivery options, particularly in large urban areas.

Traditional courier companies are making major investments in their network capabilities in order to better compete. Most traditional couriers have announced significant investments to expand their respective facilities, increase their retail network and upgrade their technology, including automation. The introduction of new delivery solutions, by Canada Post, focused on providing greater convenience for retailers and consumers, will become critical as competition in parcel delivery intensifies.

Direct Marketing

Direct Marketing is our Business that consists primarily of direct mail (offers, promotions and messages from businesses to existing customers or clients and prospects) in the form of addressed or unaddressed mail. This line of business also includes two much smaller contributors, Publications Mail™, which is the delivery of newspapers, magazines and periodicals, and Business Reply Mail™. We work with marketers, influencers and partners to provide Direct Marketing products and services to our customers across Canada, which include businesses of all sizes and governments.

Direct Marketing products generated $1.1 billion in revenue in 2017 (a 1.1 per cent decrease vs. 2016), while volumes increased by four per cent.

Our Smartmail Marketing™ services include Personalized Mail, Postal Code Targeting and Neighbourhood Mail. In 2017, they accounted for 82 per cent of Business revenue ($923 million). Here is a brief description of these services:

- Personalized Mail, which is addressed to an individual, connects businesses with their existing and prospective customers on a personal basis, allowing for the highest level of message customization and relevance.
- Postal Code Targeting connects businesses with high-quality prospects in targeted postal codes using geodemographic data.
- Neighbourhood Mail, which is unaddressed, connects businesses with broader groups of customers and prospects on a neighbourhood-by-neighbourhood basis by enabling them to target entire postal routes.
- Publications Mail (the distribution of periodicals, such as magazines) and Business Reply Mail (a mail-based direct response service) are also included in the Direct Marketing portfolio. These two products account for 16 per cent of Business revenue ($184 million), in 2017.

The operating environment for our Direct Marketing business is characterized primarily by the massive shift to digital and mobile advertising and publications. Our Direct Marketing products represent a small portion of Canada's advertising market. The shift to digital has led to a decline in direct mail's market share and in an even sharper decline in printed publications. This decline is expected to continue as marketers continue to experiment with new digital tools, and as businesses continue to shift their marketing spend to less-costly, quicker-to-market digital campaigns. In the same vein, the popularity of printed publications is not expected to rebound. Business Reply Mail is also eroding due to digital.

While the operating environment for direct mail is challenging, our revenues have been resilient. The rate of decline has been much lower than that of other printed media, such as newspapers, which have been significantly impacted by digital. One reason is that digital ads generate clicks, but do not necessarily trigger action or purchases by consumers. As companies rethink their digital advertising strategies, we are well-positioned with research and case studies that prove that receiving, handling and keeping relevant printed advertising in the home does engage consumers. Marketing solutions that combine digital and physical media can also achieve better advertising campaign results.

"Local" is also an important aspect of the operating environment for direct mail. Small local businesses or services (a new pizzeria, a realtor or landscaping company) still find a flyer targeted at a neighbourhood is effective at raising awareness and generating more business, as well as a tool they can afford and create and use relatively easily.

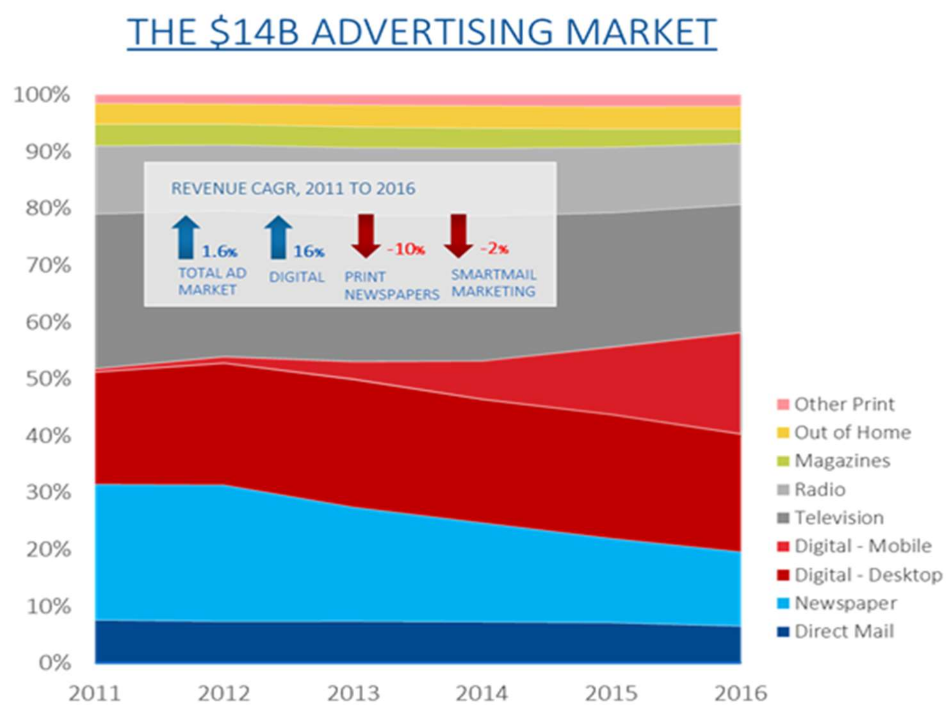
Despite the challenge from digital media, Direct Marketing remains an important Business for us, and contributor to our potential for growth. Print advertising has shown resiliency in the advertising market; however, digital and mobile advertising are gaining market share at the expense of other forms of media. The advertising market continues to challenge us as we try to grow our share of this highly competitive market.

Our Smartmail Marketing portfolio, competes in the Canadian advertising market. It faces strong competition from companies that distribute flyers and other print advertising to households, at a much lower cost. Despite these challenges, we believe Smartmail Marketing, with its strong value proposition, presents a growth opportunity. It is a product valued by consumers and businesses alike.

Canadian consumers want to get the most value for their dollar, and Smartmail Marketing offers them promotions, as well as new stores, eateries and service providers in any neighbourhood. Research shows that checking the mail is a valued part of a consumers' coming-home routine. They notice direct mail, open it, read it, share it with friends and family, and even display it in prominent areas in their homes.

To businesses, Smartmail Marketing remains one of the most effective mediums for driving customer action because it is tangible and targeted. For many small, owner-operated or family-run businesses, it is not only considered the best option for reaching nearby consumers, but also the most affordable one. Larger businesses also appreciate the personal touch Smartmail Marketing brings to their campaigns. In fact, they often pair it with digital advertising to improve results.

In 2015, we rolled out a new strategy ("Smartmail Marketing, The Science of Activation™") which frames the value proposition of direct mail for greater relevance in today's competitive marketplace. This strategy emphasizes the attributes which make direct mail so effective at driving customer action. We introduced a new training curriculum to educate and equip our sales representatives, and partners, to communicate the new value advertising delivers in today's market. We published three white papers based on proprietary ethnographic, neuroscience and survey studies which demonstrate how direct mail taps into deep human instincts to drive action for brands.



Transaction Mail

Transaction Mail is our portfolio of services for the delivery of bills, statements, invoices, notifications, letters and other forms of non-promotional print communications. This Business generates $2.9 billion in revenue, accounting for 45 per cent of our 2017 revenue from operations of $6.4 billion. The growth in digital platforms continues to challenge our Transaction Mail Business.

We have sole and exclusive privilege of collecting, transmitting and delivering letters to addresses within Canada. Revenue from Transaction Mail plays a part in covering the costs related to our USO. However, in an increasingly digital world, this exclusive privilege does not carry the weight it once did.

Since the late 1990s, consumers have been increasingly using the internet to pay their bills and manage their banking. As the financial, telecommunications, government and utilities sectors increasingly opted to deliver their bills, statements, notifications and invoices electronically, volumes started to decline. Consequently, we have experienced a steady decline in Transaction Mail. More than two-thirds of Canadians do most of their banking online. In 2017, we delivered 3.2 billion pieces, a precipitous drop of 2.3 billion pieces since 2006. 2017 also marked the eleventh consecutive year of volume erosion in Transaction Mail. We forecast ending 2018 with a 45 per cent drop in Lettermail™ volume since their 2006 peak, despite having since added 1.9 million points of delivery. Transaction Mail volumes are projected to continue to erode in future years.

Globally, mail erosion is accelerating. 2016 experienced a 4.2 per cent reduction, while many developed countries continue to show double-digit declines year-over-year. In most developed countries, transaction mail volume has followed a similar trajectory of steady erosion after peak volumes were reached, and has continued uninterrupted since. Certain developments, such as the introduction of digital postal infrastructure (provides ability to securely deliver electronic communications), have acted as triggers for accelerated erosion. For example, Denmark, the first developed country to reach its peak volume, did so in 1999, and introduced a digital mailbox (eBoks) in 2001. In 2012, Denmark passed a law mandating the use of eBoks for communications with all public authorities. That law went into effect in 2013 for businesses and 2014 for citizens. As a result, Denmark has lost 79 per cent of its total letter mail volume since its 1999 peak.

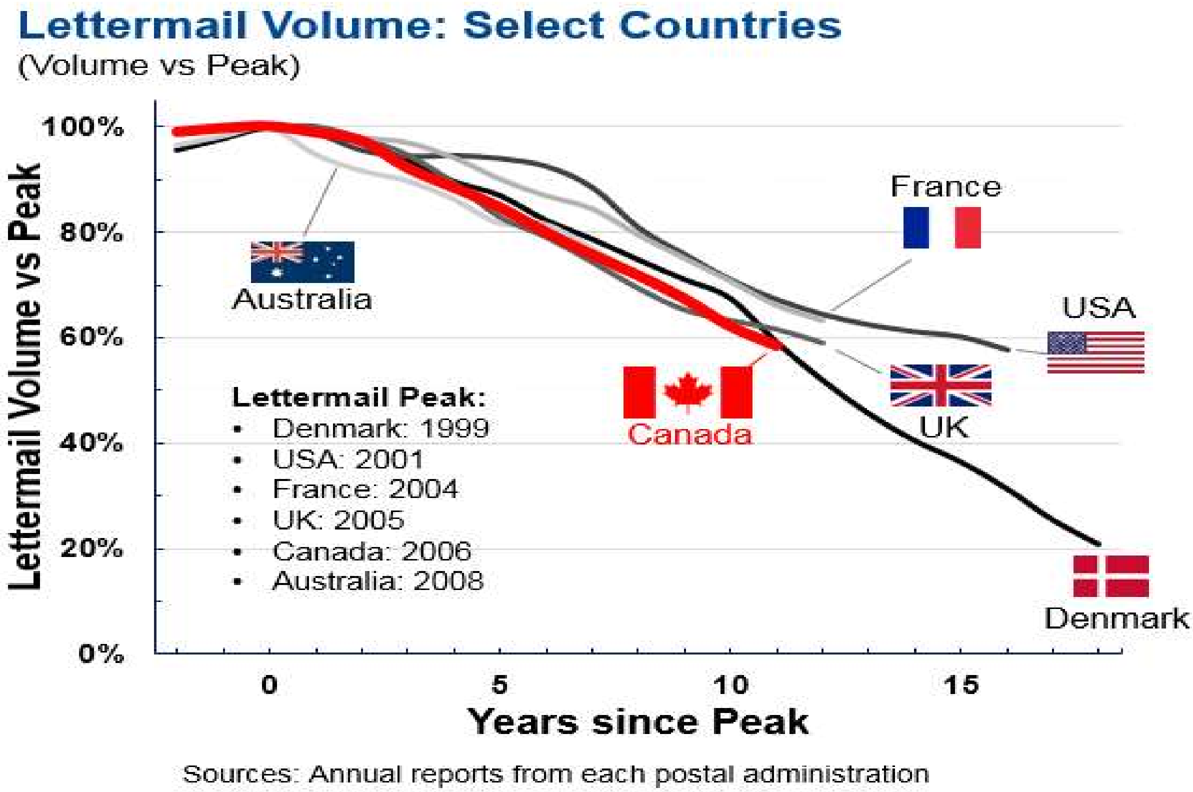
The United States Postal Service (USPS) reached its letter (First Class) mail peak (2001) five years prior to our peak, but has experienced comparable overall volume erosion. Its compound annual erosion rate for First Class mail decreased from six per cent from 2007 to 2012, to just three per cent from 2012 to 2017. This slower rate of erosion may be due to differing market structures (the banking system in the United States is more decentralized and localized than it is in Canada), electronic banking and bill payment penetration, availability of individual-level data for targeted communications, and/or mail product definitions (in 2015, the USPS reported that approximately four billion pieces, or six per cent, of First-Class mail consisted solely of advertising), among other factors.

In response to the continued Transaction Mail declines, we are strategically managing this declining product line's margins, ensuring it is accessible to all businesses, by providing a user-friendly customer experience.

On June 23, 2018, we published a series of proposed rate increases which, if approved by the Governor in Council, will come into effect in January 2019. The new rates would be the first set of increases in over four years, and result in a five to six per cent increase on average. For example, the price of a stamp for a basic (up to 30 grams) domestic single letter would increase from $1.00 to $1.05. When purchased in multiples, the price for same would increase from $0.85 to $0.90.

These rate increases would enable us to continue providing high-quality postal service at a reasonable price to Canadians, no matter where they live. They would also help offset the impact of declining Transaction Mail volumes, cover inflation, growth in points of call (addresses), and contribute generally towards financial sustainability.

In addition to these pricing measures, we remain committed to improving use of Transaction Mail for small businesses, many of which continue to rely heavily on this service for their day-to-day operations. For example, we recently completed several product and process simplification projects which reduce the mail preparation requirements customers must meet. We decreased the minimum deposit threshold for Incentive Lettermail. We removed surcharges which penalize customers for depositing mail which is not machine-readable. In terms of consumer engagement with mail, we will also continue to develop and promote a strong stamp program, engaging Canadians to participate in the celebrations of the stories, individuals, landmarks and events on which it is based.



Retail Network

We have the most extensive retail network in Canada, with approximately 6,200 post offices. Some 3,700 are corporately owned, and close to 2,500 are operated by private dealers. In addition, products and services are sold through thousands of private establishments known as stamp shops. Though many day-to-day postal transactions, such as purchasing stamps, can be done online through canadapost.ca, post offices continue to serve an important role. However, while Canadians still value post offices, the way they use them has been changing, so we must adapt our retail network and our models of providing service.

As e-commerce continues to transform retail, our retail Business is evolving to focus more on parcel delivery. Dealer outlets are particularly convenient pick up points for parcels Canadians order online in greater numbers. The outlets provide convenient access, parking and are open in the evening and weekends, providing busy Canadians more flexibility to retrieve their online orders.

During the last five years, we have developed new post office models with a focus on serving Canadians and their evolving needs. Our concept stores, introduced in 2015, focus on customer convenience with self-serve technology, a 24/7 service area, a drive-thru for picking up parcels and a fitting room to try online purchases. In 2017, we added five more locations with self-serve kiosks, and one more was added in 2018, for a total of nine.

To handle the substantial increase in parcel volumes, new parcel pickup sites were first tested and opened in 2017. These sites are designed for the sole purpose of providing Canadians with parcel pick-up services. Plans are to further implement this type of site given the expected increase in parcel delivery. There will be both permanent parcel pickup sites and temporary ones to help manage peak period volumes. We will adjust the number of this type of site based on market demand. We added or modified backroom shelving, and implemented a new storage method in 400 post offices in 2017, to increase parcel holding capacity. Approximately 400 more post office backrooms will be changed by year-end 2018, with plans to implement more every year for the next few years. This will improve capacity in post offices which were not built to handle the amount of parcels they now receive.

We are committed to enhancing the customer experience by providing busy Canadians with cost-effective and convenient products. For example, in 2016 we launched different sizes of flat rate (prepaid) shipping boxes in 50 post offices, which expanded to 150 locations in 2018.

Hand-held devices speed up post office parcel handling time (getting parcels ready for Canadians faster), and we tested them in 2015 at some sites. We expanded their use prior to the holiday seasons in 2016 through 2018, reaching 400 post offices by the end of 2018. We plan to further expand this technology in 2019 and 2020.

Procurement processes are underway to select new software and hardware providers. We plan to roll out the new solution to post offices from 2019 through 2020. As an element of this initiative, we are simplifying products, services and processes to improve both the clerk's and customer's experiences. Where communications technology exists, post offices will be automated and will receive point of sale technology. As well, we are investigating options to ensure this new technology is accessible to Canadians with disabilities.

As previously discussed in section 3.1, we are also improving our remittance services.

Changes in the network

Although almost all the post offices in our network are protected from closure either under the rural moratorium or a collective agreement, we anticipate that we may have no alternative but to close some rural post office facilities due to unforeseen circumstances such as the resignation or retirement of a postmaster/dealer for whom we cannot find a suitable replacement. As well, the relocation of certain post offices will continue as they are subject to commercial real estate and related market forces (lease terms etc.). Before any decision is made to close or move post offices, we consult with Canadians, consistent with our Service Charter commitment. This involves open communication and consultation with our employees, the public, the municipality, elected officials and other relevant stakeholders. We make these decisions on a case-by-case basis as we seek practical and sustainable solutions that satisfy the needs of the affected community.

3.4 Operational Environment

PROCESSING

We are proud to serve every Canadian address. In a country as vast as Canada, this requires us to operate a sizeable processing, transportation and delivery network.

Due to growth in e-commerce, we have capacity challenges in many of our processing facilities. This is adversely impacting our service performance, particularly during peak season, impeding our ability to capitalize on planned parcel growth, and increasing our health and safety risk in some locations due to space constraints. At our plants, peak season planning begins months in advance to ensure facilities have the equipment and processes to achieve the projected volume targets, which are based on input from major customers. As processing capacity becomes more constrained, the initiatives required for peak season are becoming more complex and/or costly.

A key driver in the size and timing of network capacity investments is the estimated volume growth. If volumes exceed projections or we have delays in creating additional capacity, we would need alternatives. Temporary capacity initiatives, such as customer bypass, renting off-site facilities and setting up additional manual operations are options. In addition, network changes can reroute product to sites with additional capacity. However, the negative impact on operations, service and costs will increase, the longer we require these initiatives.

As e-commerce continues to expand and shape the way Canadians think and work, we plan to implement operational solutions that will meet the needs of all stakeholders.

Multi-year initiatives and investments will continue in the plant processing capacity, modernization of applications and meeting new expectations of shippers.

COLLECTION AND DELIVERY

E-commerce is also creating space issues in our delivery depots which were designed for delivery preparation of lettermail and are now, at times, overflowing with parcels. Parcel growth also puts pressure on our labour, vehicle and equipment capacity. We are currently working with our employees and our unions to find ways of addressing these issue.

Over the Plan's horizon, we plan to continue modifying, enhancing and improving our collection and delivery network capacity, as well as our collection and delivery processes capacity. Enhancement of our collection and delivery capability is critical to allowing us to capitalize on market growth opportunities. Here are some of our key delivery initiatives:

- Create space capacity in congested delivery facilities through various space optimization approaches (e.g.multiple routes sharing equipment) ;
- Undertake area planning to address multi-facility capacity issues in a given geographic area;
- Purchase larger capacity vehicles;
- Purchase of more parcel equipment (e.g. carts).

We use various strategies to cope with the added congestion in our delivery facilities during peak periods. For example, storing empty equipment in trailers to free up floor space, adding more shuttles to and from the plant to move product more frequently, and scheduling staff on off-shift where possible.

We are working jointly with CUPW with the aim of developing new delivery strategies that can also help address labour capacity.

To address capacity issues we experience at some of our facilities, we plan on reviewing various floor plans. We may also consider depot consolidation and route motorization. For the Greater Toronto area, a new parcel delivery hub is being developed.

Continuing to serve Canadians in our challenging environment

Our efforts to serve Canadian consumers and businesses for decades to come, while meeting our mandate to be financially self-sustaining, will play out in a dynamic, competitive, disruptive and unpredictable commercial operating environment.

Technological advances and evolving expectations from Canadians compel us to constantly evolve our corporate strategies to meet their needs and to remain competitive, while achieving sustainability.

With Transaction Mail's inexorable decline and the rise of e-commerce, more of our business is conducted in a highly competitive, rapidly evolving market. This adds threat and uncertainty. Our traditional delivery competitors will be joined by new players, all vying for market share at our expense. In Direct Marketing, our products and services will continue to face growing competition from digital alternatives.

In facing these challenges in the commercial environment, we will leverage the capabilities of Canada Post, SCI,Purolator and Innovapost (Group of Companies) to provide unique products and solutions specifically tailored for the Canadian market. We will also create a highly engaged, customer-centric workforce, which is critical to succeeding in the face of the above challenges.

4. SUBSIDIARIES

The Group of Companies (Group) provides a full range of delivery, logistics and fulfillment services to customers. The Group's synergies are leveraged to reduce costs, take advantage of their members' complementary strengths and generate revenue. Each subsidiary's mission is closely linked to our overall corporate growth strategy.

Innovapost, our IT shared services subsidiary, has led a drive for efficiency with solutions for the Group's data centre, application development and application management needs. Increased coordination of strategic planning and market intelligence efforts across the Group is reducing overlap and redundant efforts. This will also provide a deeper understanding of the Businesses and identify opportunities for collective benefit.

Leveraging resources, Purolator and Canada Post have developed the PuroPost™ product line for U.S. based shippers looking to bring products for Canadian consumers into Canada easily and efficiently. Domestically, Purolator's business-to-business (B2B) focus is a perfect complement to our role in connecting B2C. Efficiencies of scale in joint procurements, such as those for our IT services and air network, create savings for the Group. SCI's warehousing services enable Canada Post and Purolator to offer Canadians shorter delivery times for key products in more markets across Canada.

4.1 Purolator Holdings

Purolator Holdings Ltd. is 91 per cent owned by Canada Post. Purolator is an iconic Canadian company that proudly delivers premium courier services through its extensive transportation network across Canada and the U.S. With almost 60 years of service in the marketplace, Purolator employs more than 10,000 employees across Canada and the U.S. while serving a diversified mix of more than 135,000 customers across B2B and B2C industry segments.

The Canadian leader in the premium courier segment, Purolator focuses on delivering standard ground, daytime express and end-of-day express services. The majority of the business is domestic courier services, with the remaining business spread across international, freight, and logistics services.

Purolator has cultivated a strong brand and exceptional reputation in the marketplace, which is driven by high customer satisfaction scores. In addition, Purolator's strong history of philanthropic efforts is highlighted by the "Tackle Hunger" program, which has collected the equivalent of over 15 million pounds of food for families across Canada since 2003.

Purolator's mandate is to be the market leader in the Canadian premium courier market, led by its strength in B2B delivery and supported by growth in e-commerce and international activities. While the company has historically focused exclusively on B2B, the growth of e-commerce has presented a unique opportunity for Purolator to add volume which can fill the incremental capacity in the network. This growth has improved financial performance, which is helping fuel investments to position the company for sustained, long-term profitable growth.

4.2 SCI Group

SCI Group Inc., 99 per cent owned by the Group, is one of Canada's leading providers of supply chain solutions that go beyond traditional logistics services. It has annual revenues of over $280M. SCI's customer focus and promise, "We'll make you even better", is a commitment today from a business that's leading clients into tomorrow.

Through its operating entities SCI Logistics, Progistix and First Team Transport (operating as SCI-White Glove Services), SCI Group helps companies reduce costs and improve services with the design, implementation and operation of efficient supply chain solutions and allows the Group to offer end-to-end supply chain services to Canadian businesses.

SCI Group offers its clients expertise in B2C, B2B and field service logistics, while delivering innovation, intelligence and fully integrated logistics solutions to supply chains across Canada. Key market segments include retail, health care and technology. Trusted by clients in the retail, e-commerce, technology, and healthcare sectors operating within its extensive national distribution and transportation network, SCI provides customized supply chain and quality assurance solutions allow companies to easily deliver on customer commitments, streamline operations and reduce operating costs.

SCI's Services under the contract logistics division include customized solutions, value added services, reverse logistics, and retail fulfillment. Transportation division services include white glove, same day ground, enhanced technical services and transport management.

SCI is acting on its strategy to become Canada's leader of integrated forward and reverse supply chain (returns) solutions for high-value and high-growth segments in Canada. SCI continues to strengthen key foundational elements, while building for the future by focusing on mid-market and new services that will enhance SCI's value to customers.

In 2017 there were approximately 1700 full time and 190 part time employees.

SCI Group operates the most extensive national distribution and transportation network in Canada, consisting of 3.9 million square feet across 30 distribution centres coast to coast along with over 40 field stocking and critical parts stocking locations and specialized white glove shipping hubs, specialized transportation centres and configuration centres.

SCI's strategy is focused on delivering profitable growth from its key markets retail, health care and technology. In addition SCI will expand on proven capabilities and integrated solutions including omni-channel fulfillment, forward and reverse logistics, product life cycle solutions and specialized transportation services.

SCI will also continue to focus on growing its revenue and driving operational savings through continuous improvement initiatives. Leveraging existing capabilities within the Group.

4.3 Innovapost

Technology and data have become key differentiators in this economy. Companies that cannot provide seamless, cost-effective and integrated technology platforms and information to their customers will no longer be competitive. As the technology services provider for the Group, Innovapost has a critical role in driving corporate competitiveness.

Based on the need to better enable e-commerce, reduce costs and improve service delivery, Innovapost was created in 2002 as a joint venture with the private-sector firm CGI. Under an agreement approved by the Government in 2012, Innovapost was restructured. Canada Post became the majority shareholder with an 80 per cent ownership share and Purolator holds the remaining 20 per cent.

Innovapost services include the development, maintenance and operation of virtually all computing, information systems and IT infrastructure required by the Group. Innovapost works with the business to provide strategic planning and priority-setting assistance, creates and updates the IT strategic plan and identifies and proposes new technology-enabled services.

Since 2012, the subsidiary has operated on a cost-recovery basis with a focus on reducing costs, increasing synergies, improving quality, and providing new capabilities needed to enable the Group's business strategies. It adopted a multi-vendor strategy to ensure the Group gained access to market pricing for services.

With offices in Ottawa and Toronto, Innovapost employs approximately 900 IS/IT professionals, many with significant experience in the postal industry.

5. FINANCIAL OVERVIEW AND PENSION

5.1 Financial Overview

We have previously discussed the increasing trend toward online communications and its adverse impact to our Transaction Mail Business. In 2017, we delivered three billion pieces of Domestic Lettermail, two billion (or 41 per cent) less than we did in the peak year of 2006. This decline is expected to continue during the period of this Plan, and Transaction Mail is not expected to rebound. Based on the 2018 forecast, we anticipate that revenue from Transaction Mail will decrease by approximately $370 million (or 13 per cent) by the end of this Plan.

To deal with this ongoing challenge, we have been focused on becoming Canada's leader in e-commerce delivery. In 2017, this strategy helped us grow our Parcels Revenue by 23 per cent. This generated 33 per cent of our segment's revenue in 2017, compared to just 21 per cent in 2011. The Group earned approximately $3.9 billion in parcel revenue and delivered nearly 360 million pieces in 2017.

To support Parcels growth, we are planning to make major capital investments during the period covered by this Plan. This is necessary to address immediate capacity challenges and to make changes to our network to meet long-term parcel volume growth projections. The Group's 2019 Capital Budget is planned at $893 million, of which $748 million is planned for the Canada Post segment.

Expenses are also expected to increase over the course of this Plan's period to support overall revenue growth, as well as the increasing number of addresses in Canada. Labour continues to be the largest expense and is expected to grow from the 2018 forecast. Other operating costs are also expected to grow considerably while depreciation will also increase, especially with the significant capital expenditures being made over the course of this Plan. Employee benefits are expected to remain constant due to the amount of solvency pension payments being made between 2020 and 2023.

Expenses include the arbitrator's final decision regarding the pay equity study pertaining to the CUPW-RSMC. The estimated costs relating to adjusting how delivery employees in suburban and rural Canada are paid, and benefit plan amendments, are a major factor in the forecasted loss before taxes for the Canada Post segment in 2018.

Pension challenges will also play a large part in the financial results of the Corporation. Currently, the RPP has assets with a fair market value of approximately $25 billion, making it one of the largest single-employer sponsored pension plans in Canada. At December 31, 2017, the RPP had an estimated solvency deficit to be funded of $6.4 billion (using the three-year average solvency ratio). Significant obligations of the RPP and other post-employment benefits continue to be a concern for the Corporation as the large size and volatility of these obligations compared to our cash position and earnings can put substantial pressure on our cash flows and our ability to fund needed investments in modernization and growth.

The Group is anticipating to achieve modest profits between $10 million to $125 million over the five years covered by this Plan (2019-2023). These profits are quite small considering the size of the total Assets of the Corporation. The modest profits are primarily driven by the Purolator segment. The Canada Post segment is expected to report losses over the period of this Plan. While Parcels revenue is projected to be strong, Transaction Mail erosion, as well as high labour and employee benefit costs and substantial investments is expected to prevent the Group from realizing higher profits. We remain committed to ensuring we deliver the services Canadians expect today and in the future, while ensuring we remain financially sustainable for the long term.

Cash (including marketable securities) in the Canada Post segment is projected to be severely impacted during the period of this Plan. While current cash assets are very healthy, the following are expected to drain current cash resources:

- Pension solvency payments are expected to start in 2020 as aggregate pension relief is limited to 15 per cent of the plan's solvency liabilities and is expected to be used up at that time. Without any further relief, this is expected to result in our organization having to make special payments starting at over $500 million, in 2020, and reaching over $1.8 billion during the course of this Plan.
- We are budgeting to spend over $3.6 billion in capital expenditures during the course of this Plan, including $1.5 billion related to our network enhancements.
- Additional borrowing of over $500 million will be required by 2023 to cover the necessary capital investments and pension solvency deificit payments. However, we are not expected to exceed our $2.5 billion borrowing limit during the Plan's period.

5.2 Pension

We have one of the largest single employer-sponsored defined benefit pension plans in Canada with over 90,000 members and $25 billion in assets at fair market value as of December 31, 2017. We are required to maintain sufficient funding to finance the pension plan, and are required to file annual actuarial valuations of the pension plan with the federal pension regulator, the Office of the Superintendent of Financial Institutions (OFSI). The valuations use two methods.

The first is a going-concern valuation, where it is assumed that the pension plan continues in operation and is longer term in focus. This method determines if there are enough assets in the plan for pension benefits to be paid in the future for accumulated service to date. It also assesses whether the level of contributions made by plan members and the plan sponsor is enough to cover the current service cost. Going-concern deficits, when applicable, are funded over 15 years.

The second is the solvency valuation, which assumes that a pension plan is terminated on the date of valuation. It has a short-term view and the results are strongly affected by the long-term interest rates (the discount rate) on that date. The discount rate used to calculate plan liabilities is based on guidance from the Canadian Institute of Actuaries and OSFI. The discount rate is based on a bond portfolio established by the pension plan actuary. The funding valuation document submitted to OSFI discloses the discount rate and all other assumptions.

Year-over-year changes in discount rates and investment returns are major drivers in the determination of the financial position of the pension plan. Discount rates and investment returns cannot be predicted with certainty, and can be volatile. In the current environment, volatility may be higher than that experienced in the past. Given the size of our pension plan, a discount rate change of half a percentage point (or 50 basis points) would change the solvency obligations by approximately $2.8 billion

On June 20, 2018, Canada Post filed the actuarial valuation of the RPP as at December 31, 2017. The actuarial valuation as at December 31, 2017, disclosed a going-concern surplus of $3 billion (using the smoothed value of Canada Post Corporation Registered Pension Plan (RPP) assets) and a solvency deficit to be funded of $6.4 billion (using the three-year average solvency ratio), or $5.9 billion (using market value of plan assets).

Under normal circumstances, we are required to make special payments into the plan, based on the solvency deficit, to be funded over five years to eliminate the deficit. In 2014, the Government provided us relief from the need to make solvency special payments for four years, which ended in 2017. In addition, regulatory changes that came into effect in 2017 eased the burden of solvency deficit payments and, as a result, we will not have to make special payments in 2018. We project that we will not have to make special payments in 2019, provided that market conditions remain constant. We are expected to resume contributing over $500 million in special payments in 2020 with total solvency special payments of close to $1.8 billion up to 2023 subject to market conditions.

The previously mentioned decision by Arbitrator Flynn will have an immediate impact on solvency funding requirements as the amendments arising will increase solvency liabilities. In order that this increase in liabilities not reduce the plan’s overall solvency ratio, we will need to make additional lump-sum contributions.

Under the current planning assumptions and the projected level of special contribution, we cannot afford this level of contribution. Accordingly, we will require incremental borrowing or additional pension relief. Our ability to make special payments into the pension plan depends on our overall financial health, and improvements in our earnings. Contribution requirements are sensitive to market fluctuations, particularly asset returns and long-term interest rates. Therefore, the actual special payment required by the end of 2023 could differ significantly from the almost $1.9 billion estimate.

In 2017, the Corporation contributed $259 million in current service employer contributions while plan members contributed $235 million to the RPP.

6. APPENDICES

6.1 Ministerial Letters

Ministre des Services publics et de l'Approvisionnement
Receveur général du Canada

Minister of Public Services and Procurement
Receiver General for Canada

Ottawa, Canada K1A 0S5

JAN 24 2018

Ms. Jessica L. McDonald
Chairperson, Board of Directors
Canada Post Corporation
N1200 – 2701 Riverside Drive
Ottawa ON K1A 0B1

Dear Ms. McDonald:

Congratulations on your appointment as the Chairperson of Canada Post Corporation at this critical time in the institution's evolution.

As Chairperson, you are the representative of the Board of Canada Post Corporation to outside parties, and the leader and facilitator of the Board as it carries out its duties. You are also the key link between the Board and myself as the representative of the Government and your leadership is key to ensuring the success of Canada Post Corporation in the future.

This is an important moment for Canada Post. As you know, our Government undertook an extensive two-phase review and public consultation on the future of the Corporation, led by an independent four-person Task Force, and the House of Commons Standing Committee on Government Operations and Estimates. Based on that widespread engagement, analysis and debate, it is now time to act on renewal.

Canada Post provides services valued by Canadians in all regions, and all walks of life, and it does so in a self-sustaining manner. The Corporation and its 63,000 employees have been working hard to adapt to a rapidly changing business environment. As a result, its financial position for the near term is positive – it is in the black. Still, given current trends, financial sustainability for the longer term is in question.

It is clear that financially-driven structural change imposed in a top down manner without collaboration, is unlikely to achieve lasting improvement. The Corporation's near term financial picture provides the breathing space to get long-term renewal right.

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In that context, and with the benefit of extensive consultations and public input, the Government is putting forward:

- A new vision for Canada Post focused on serving Canadians;
- Concrete actions in five areas that provide a new foundation for renewal; and
- Priorities for implementing renewal that Canada Post's new leadership is asked to address.

A New Vision for Canada Post Focused on Serving Canadians

Canada Post will provide high-quality service at a reasonable price to Canadians, no matter where they live. The Corporation's leadership and its employees will work in partnership to adapt, meet challenges and take advantage of opportunities created by demographic change, new technologies, and the evolving expectations of its customers and the communities it serves. As a valued public enterprise that will serve our country for decades to come, Canada Post must be efficient and financially sustainable for the long term, generating revenues that support current and future services, and enable ongoing innovations.

Building the Foundation for Renewal

The Government will take concrete actions in five areas to support the implementation of its service-focused vision.

Ending the Program of Converting Door-to-door Delivery to Community Mailboxes

First and foremost, as we committed to Canadians, the Government is ending the program to convert door-to-door delivery to community mailboxes. Door to door delivery will continue for households currently receiving it.

Enhancing the Accessible Delivery Program

During the Review process both the Task Force and the Committee heard criticism about Canada Post's approach to community mailbox accessibility. The most common complaints concerned lack of awareness of the existing accessible delivery program and onerous eligibility requirements. Although the conversion program has been stopped, there are still people who have difficulty accessing their mail. We are asking Canada Post to establish a national panel including experts and key organizations for disability and

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seniors' issues, including individuals with lived experiences, to advise on the development, implementation, and promotion of an enhanced accessible delivery program. We want to ensure that everyone who needs the service can access it. After the program is implemented, the panel could continue to be used to provide annual feedback on the program's effectiveness.

New Leadership and a Culture of Collaboration

Your appointment is an important part of wider change in leadership at Canada Post. As you know, a new Chief Executive Officer will be appointed soon, and the Government has launched processes for appointments to the Board of Directors.

This is not a matter of merely filling vacancies. Rather, it is an opportunity to drive a shift in culture. Both the Task Force and the Committee noted the need for better relations between management and labour. The Government agrees that achieving long-term renewal requires a constructive relationship between the Corporation, its workers and the communities in which it operates. This will take time, and a deep commitment to renewal on the part of both management and labour.

The Government, through its open, merit-based appointments process will place a high priority on diversity and a broader range of perspectives, including labour, in these important appointments to the leadership of Canada Post. We expect you and the Board of Directors to make this shift to a culture of collaboration your central priority.

Reinvesting Profits in the Corporation

It is the Government's expectation that profits earned by the Corporation will be reinvested in service initiatives and innovations and not paid as dividends to the Crown. Currently, under its listing in the *Financial Administration Act*, Canada Post has a legal obligation to pay a dividend to the federal government. I intend to seek the Governor in Council's approval to move Canada Post Corporation from *Financial Administration Act, Schedule III Part II* to *Schedule III Part I* to remove this obligation. This change also means that Canada Post is now legally required to, along with its annual corporate plan and capital budget, submit an operating budget for Government approval. Summaries of the approved plan and budgets would be tabled in both Houses of Parliament. It is important to note that Canada Post will continue to operate under section 5(2)(b) of the *Canada Post Corporation Act,* which states that the Corporation shall have regard to the need to conduct its operations on a self-sustaining financial basis when carrying out its mandate.

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The Review has identified various areas of opportunity for Canada Post. In this context, the Government is asking Canada Post to undertake the following as it develops its program for implementing renewal:

- Consider the applicability in Canada of best practices and successful innovations in other countries, particularly various models of alternate day delivery;
- Examine options for innovative parcel delivery models, including expanded use of parcel lockers and weekend delivery;
- Explore partnership opportunities with other federal departments and agencies, other jurisdictions and communities to improve public services to Canadians, especially in rural and remote areas, by leveraging Canada Post's extensive retail network and presence across Canada.

Although the Review was not positioned as a review of the Canadian Postal Service Charter, the components of the Charter have been reviewed and assessed. None of the actions being taken change the expectations laid out in the Service Charter. In operationalizing the vision, Canada Post is expected to continue to meet the expectations laid out in the Service Charter.

Moving Forward

As with any service organization, the workforce is key to ensuring a satisfactory customer experience. Public opinion research found that Canadians and businesses surveyed are highly satisfied with Canada Post's services. This is a tribute to the dedicated employees of Canada Post Corporation. We need to build upon this to make sure it continues to be a valued Canadian institution that will serve our country for decades to come.

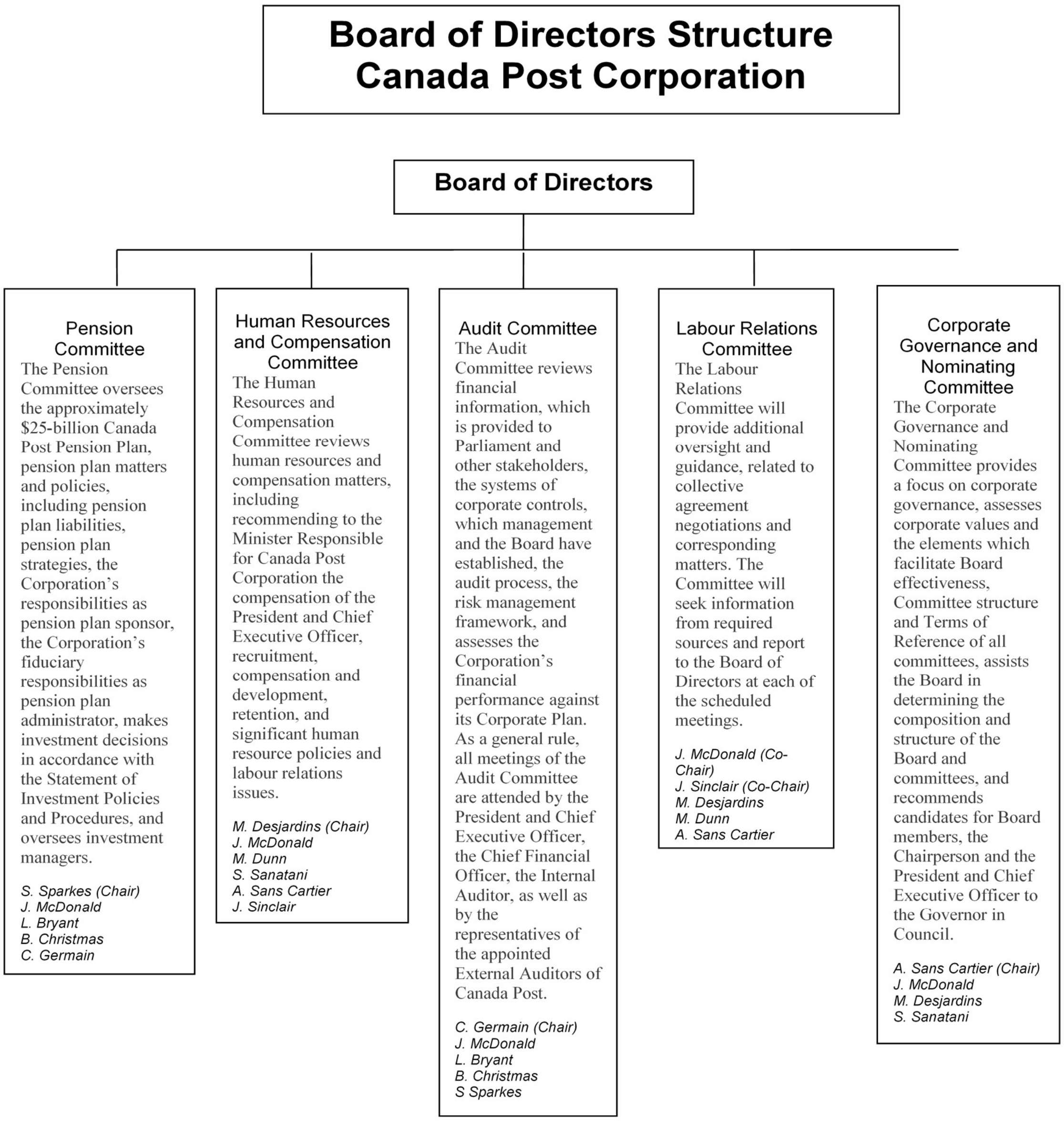
In closing, I would like to express my appreciation for the support and cooperation the Corporation and its employees demonstrated as they worked with the Task Force and the Standing Committee during the Review. I look forward to your progress as the Corporation operationalizes the Government's service-focused vision for renewal of Canada Post.

Sincerely,

The Honourable Carla Qualtrough, P.C., M.P.

6.2 Corporate Governance Structure

Since April 1, 2018 the Chair of the Board of Directors has also held the role of Interim President and CEO. In order to ensure that appropriate and independent oversight by the Board remains in place several steps were taken. A lead Independent Director (Vice-Chair) was appointed to allow Board members to discuss their concerns freely, during the in camera session, without the Chair. As well, an independent Ethics Advisor to the Board was engaged in order to permit members to discuss conflict of interest and independence issues and get appropriate advice. The Chair met with the Ethics Commissioner on two separate occasions to discuss this issue. The Commissioner confirmed that they were fully comfortable with the structure in place.



Note 1: The members attend the Board and Committee meetings regularly.
Note 2: The membership is current as of October 2018.

Board of Directors Terms

The tables in this section show the full-year information for 2017.

Members of the Board of Directors	First Appointment Date	Current Term Start Date (if re-appointed)	Current Term End Date
Matthews, Sian M. (Chair)	23 August 2007	11 December 2014	11 December 2018 (resigned 15 Sept 2017)
McDonald, Jessica L. (Chair)	12 December 2017		12 December 2022
Chopra, Deepak	1 February 2011	1 February 2016	31 January 2021 (resigned 31 Mar 2018)
Cryer, Thomas W.	12 October 2007	1 October 2013	1 October 2017 (resigned 31 Oct 2017)
Desjardins, Michèle	18 June 2015	18 June 2018	18 June 2020
Lavigne, A. Michel	30 July 2008	1 October 2013	21 June 2016 (resigned 5 May 2018)
Paterson, Andrew B.	1 March 2012		1 March 2016 (resigned 31 Dec 2017)
Sans Cartier, Alain	1 March 2012		1 March 2016
Sheffield, William H.	23 August 2006	22 November 2012	22 November 2015 (resigned 31 Mar 2018)
Sparkes, Sharon	26 March 2015	31 Mary 2018	31 May 2020
Woodley, Donald	23 August 2006	4 October 2012	4 October 2015 (replaced 4 May 2018)

Board of Directors Terms

Members of the Board of Directors	Length of Terms	Start Date of Terms	End Date of Terms
Jessica McDonald (Chair / Interim President and Chief Executive Officer)	5 years	12 December 2017	12 December 2022
Lloyd Bryant	4 years	1 May 2018	1 May 2022
Bernd Christmas	3 years	1 May 2018	1 May 2021
Michèle Desjardins	3 years 2 years	18 June 2015 18 June 2018	18 June 2018 18 June 2020
Mélanie Dunn	2 years	1 May 2018	1 May 2020
Claude Germain	4 years	31 May 2018	31 May 2022
Suromitra Sanatani	3 years	1 May 2018	1 May 2021
Alain Sans Cartier	4 years	1 March 2012	1 March 2016
Jim Sinclair	3 years	1 May 2018	1 May 2021
Sharon Sparkes	3 years 2 years	26 March 2015 31 Mary 2018	26 March 2018 31 May 2020

6.3 Chief Executive Officer Commitment

Canada Post is aligned across its entire organization in its endeavors to successfully achieve the following 2019 Key Performance Indicators (KPIs) targets:

Earnings Before Taxes (in $M)	
Canada Post	*($ 22)*
The Canada Post Group	*$ 127*

Revenues (in $M)	
Parcels Revenue	*$ 2,970*
Smartmail Marketing Revenue	*$ 923*

Service Performance	
Parcels	**95.8%**
Domestic Parcels	*94.0%*
Int'l Inbound Parcels	*96.0%*
Int'l Outbound Parcels	*93.0%*
Delivery Scanning	*99.0%*
Smart Mail	**94.0%**
Personalized Mail	*96.0%*
Neighbourhood Mail	*91.0%*
Lettermail	**94.0%**
Commercial Incentive Lettermail	*94.0%*
Consumer / SMB Lettermail	*94.0%*

Health & Safety	
Total Injury Frequency	*10.72*
Lost Time Injury Frequency	*4.52*

Customer Experience	
Website Satisfaction	*67.3%*
Retail Customer Satisfaction	*90.0%*
Contact Center Satisfaction	*85%*

I, Jessica L. McDonald, Chair of the Board of Directors and Interim Chief Executive Officer of Canada Post Corporation, am accountable to the Board of Directors of Canada Post Corporation for the implementation of the results described in this corporate plan and outlined in the appendices. I confirm that this commitment is supported by the balanced use of all available and relevant performance measurement and evaluation information.

Jessica L. McDonald
Chair of the Board of Directors and Interim Chief Executive Officer

6.4 Chief Financial Officer Attestation

In my capacity as Chief Financial Officer of Canada Post Corporation, accountable to the Board of Directors of Canada Post Corporation through the Chief Executive Officer, I have reviewed the corporate plan and the supporting information that I considered necessary. Based on this due diligence review, I make the following conclusions:

1) The nature and extent of the financial and related information is reasonably described, and assumptions having a significant bearing on the associated financial requirements have been identified and are supported.
2) Significant risks having a bearing on the financial requirements, the sensitivity of the financial requirements to changes in key assumptions, and the related risk-mitigation strategies have been disclosed.
3) Financial resource requirements have been disclosed and are consistent with the stated assumptions, and options to contain costs have been considered.
4) Funding has been identified and is sufficient to address the financial requirements for the expected duration of the corporate plan. During the course of this Plan, Canada Post is not seeking any appropriations from Parliament other than for compensation for the provision of Parliamentary mail and Materials for the use of the Blind services, which are sent free of postage under the *Canada Post Corporation Act*.
5) The corporate plan and budgets are compliant with relevant financial management legislation and policies, and the proper financial management authorities are in place.
6) Key financial controls are in place to support the implementation of proposed activities and ongoing operation of Canada Post Corporation and its wholly owned subsidiaries.

In my opinion, the financial information contained in this corporate plan and budget(s) is sufficient overall to support decision making.

W G. Cheeseman

Wayne Cheeseman
Chief Financial Officer

6.5 Financial Statement

Canada Post Corporation
Pro Forma Consolidated Statement of Financial Position

As at December 31 (in millions of Canadian dollars)	2017 Actual[1]	2018 Forecast[2]	Corporate Plan 2019	2020	2021	2022	2023
Assets							
Current assets							
Cash and cash equivalents	1,503	1,547	1,325	586	862	532	695
Marketable securities	821	821	821	821	-	-	-
Trade and other receivables	946	1,073	1,060	1,086	1,119	1,152	1,185
Other assets	126	101	102	183	201	108	111
Total current assets	3,396	3,542	3,307	2,676	2,182	1,792	1,991
Non-current assets							
Property, plant and equipment	2,627	2,754	3,329	3,913	4,287	4,733	4,958
Intangible assets	119	110	113	113	112	112	112
Right-of-use assets	-	926	915	902	896	888	882
Segregated securities	526	512	497	480	460	438	414
Pension benefit assets	116	118	112	133	1,131	2,131	3,047
Deferred tax assets	1,568	1,361	1,243	1,022	778	629	473
Goodwill	130	130	130	130	130	130	130
Other assets	7	53	62	59	57	54	51
Total non-current assets	5,093	5,964	6,400	6,751	7,852	9,116	10,067
Total assets	**8,489**	**9,506**	**9,707**	**9,427**	**10,034**	**10,908**	**12,058**
Liabilities and equity							
Current liabilities							
Trade and other payables	583	582	617	627	626	644	631
Salaries and benefits payable and related provisions	600	560	623	645	656	672	654
Provisions	77	80	80	81	83	84	86
Income tax payable	38	22	18	14	17	20	20
Deferred revenue	138	139	136	132	132	132	133
Loans and borrowings	13	12	10	4	2	5	35
Lease liabilities	-	114	119	124	129	134	139
Other long-term benefit liabilities	63	64	64	64	65	66	67
Total current liabilities	1,512	1,571	1,667	1,691	1,710	1,757	1,764
Non-current liabilities							
Loans and borrowings	1,025	1,026	1,004	1,000	998	1,098	1,498
Lease liabilities	-	1,004	997	988	987	983	978
Pension, other post-employment and other long-term benefit liabilities	6,297	5,560	5,090	4,224	4,195	4,292	4,385
Other liabilities	25	21	20	27	39	51	63
Total non-current liabilities	7,347	7,611	7,110	6,239	6,218	6,424	6,925
Total liabilities	8,859	9,182	8,777	7,930	7,928	8,181	8,690
Equity							
Contributed capital	1,155	1,155	1,155	1,155	1,155	1,155	1,155
Accumulated other comprehensive income	54	54	54	54	54	54	54
Accumulated deficit	(1,611)	(925)	(326)	233	833	1,447	2,079
Equity of Canada	(402)	284	883	1,442	2,043	2,656	3,289
Non-controlling interests	32	40	47	55	63	72	80
Total equity	(370)	324	930	1,497	2,106	2,727	3,369
Total liabilities and equity	**8,489**	**9,506**	**9,707**	**9,427**	**10,034**	**10,908**	**12,058**

Numbers may not add due to rounding.

1. 2017 financials restated to reflect IFRS 15 "Revenue from Contracts with Customers" (IFRS 15)
2. 2018-2023 financials reflect IFRS 16 "Leases" (IFRS 16)

Canada Post Corporation
Summary of the 2019 to 2023 Corporate Plan

Canada Post Corporation
Pro Forma Consolidated Statement of Comprehensive Income

For the year ended December 31 (in millions of Canadian dollars)	2017 Actual[1]	2018 Forecast[2]	Corporate Plan 2019	2020	2021	2022	2023
Revenue from operations	8,318	8,781	8,981	9,277	9,589	9,890	10,209
Cost of operations							
Labour	4,034	4,344	4,364	4,555	4,726	4,896	5,059
Employee benefits	1,456	1,679	1,533	1,549	1,555	1,558	1,563
	5,490	6,024	5,897	6,104	6,281	6,454	6,622
Other operating costs	2,292	2,414	2,496	2,625	2,703	2,801	2,890
Depreciation and amortization	305	415	414	451	496	521	582
Total cost of operations	8,087	8,852	8,806	9,179	9,481	9,777	10,094
Profit (loss) from operations	231	(71)	175	97	108	114	115
Investing and financing income (expense)							
Investment and other income	19	51	50	35	39	10	4
Financing costs and other expense	(46)	(94)	(98)	(100)	(100)	(101)	(107)
Investing and financing expense, net	(27)	(43)	(48)	(64)	(60)	(91)	(103)
Profit (loss) before tax	204	(114)	127	33	47	23	12
Tax expense (income)	56	(24)	30	4	8	3	1
Net profit (loss)	**148**	**(90)**	**96**	**29**	**39**	**20**	**11**
Other comprehensive income (loss)							
Items never reclassified to net profit (loss)	(203)	965	512	540	572	605	633
Items that may subsequently be reclassified to net profit (loss)	10	-	-	-	-	-	-
Other comprehensive income	(193)	965	512	540	572	605	633
Comprehensive income	**(45)**	**874**	**608**	**569**	**611**	**625**	**644**
Net profit (loss) attributable to							
Government of Canada	142	(98)	88	21	30	10	1
Non-controlling interests	6	8	8	9	9	10	10
	148	(90)	96	29	39	20	11
Comprehensive income attributable to							
Government of Canada	(51)	865	599	559	601	613	633
Non-controlling interests	6	10	10	10	11	11	11
	(45)	874	608	569	611	625	644

Numbers may not add due to rounding.

1. 2017 financials restated to reflect IFRS 15 "Revenue from Contracts with Customers" (IFRS 15)
2. 2018-2023 financials reflect IFRS 16 "Leases" (IFRS 16)

Canada Post Corporation
Summary of the 2019 to 2023 Corporate Plan

Canada Post Corporation
Pro Forma Consolidated Statement of Cash Flows

For the year ended December 31 (in millions of Canadian dollars)	2017 Actual[1]	2018 Forecast[2]	Corporate Plan 2019	2020	2021	2022	2023
Cash flows from operating activities							
Net profit (loss)	148	(90)	96	29	39	20	11
Adjustments to reconcile net profit (loss) to cash provided by (used in) operating activities:							
Depreciation and amortization	305	415	414	451	496	521	582
Pension, other post-employment and other long-term benefit expense	868	1,119	928	917	891	863	833
Pension, other post-employment and other long-term benefit payments	(547)	(569)	(708)	(1,083)	(1,154)	(958)	(809)
Gain (loss) on sale of capital assets and assets held for sale	3	(3)	(7)	(2)	(20)	(2)	(1)
Tax expense (income)	56	(24)	31	4	8	3	1
Net interest expense	22	69	65	74	87	98	108
Change in non-cash operating working capital:							
(Increase) decrease in trade and other receivables	(115)	(127)	13	(26)	(33)	(33)	(33)
Increase (decrease) in trade and other payables	35	(1)	35	9	(1)	18	(13)
Increase (decrease) in salaries and benefits payable and related provisions	114	(41)	63	22	11	16	(18)
Increase (decrease) in provisions	8	2	0	1	1	1	2
Net (increase) decrease in other non-cash operating working capital	(9)	25	(4)	(2)	(3)	(2)	(2)
Other income not affecting cash, net	(20)	(21)	(18)	(20)	(17)	(16)	(14)
Cash provided by (used in) operations before interest and tax	867	754	909	374	307	530	645
Interest received	43	55	61	50	36	24	18
Interest paid	(44)	(105)	(107)	(107)	(106)	(106)	(111)
Tax received (paid)	(118)	(110)	(87)	(39)	43	54	(45)
Cash provided by (used in) operating activities	748	594	775	278	280	502	507
Cash flows from investing activities							
Net cash inflow (outflow) of securities	227	14	15	17	840	22	24
Acquisition of capital assets	(299)	(435)	(892)	(933)	(783)	(863)	(697)
Proceeds from sale of capital assets	4	6	9	4	38	6	2
Other investing activities, net	-	(47)	(10)	2	2	2	3
Cash provided by (used in) investing activities	(68)	(463)	(878)	(910)	98	(833)	(668)
Cash flows from financing activities							
Repayments of lease liabilities	(22)	(85)	(93)	(94)	(96)	(99)	(103)
Net cash inflow (outflow) of loans and borrowings	-	(0)	(24)	(10)	(4)	103	430
Dividend paid to non-controlling interests	(1)	(2)	(2)	(3)	(3)	(3)	(3)
Other financing activities, net	(1)	-	-	-	-	-	-
Cash provided by (used in) financing activities	(24)	(87)	(120)	(107)	(102)	1	324
Net increase (decrease) in cash and cash equivalents	**656**	**44**	**(222)**	**(738)**	**276**	**(330)**	**163**
Cash and cash equivalents, beginning of year	849	1,503	1,547	1,325	586	862	532
Effect of exchange rate changes on cash and cash equivalents	(2)	-	-	-	-	-	-
Cash and cash equivalents, end of year	**1,503**	**1,547**	**1,325**	**586**	**862**	**532**	**695**

Numbers may not add due to rounding.

1. 2017 financials restated to reflect IFRS 15 "Revenue from Contracts with Customers" (IFRS 15)
2. 2018-2023 financials reflect IFRS 16 "Leases" (IFRS 16)

6.6 Operating Forecast and Budget

2018 Operating Forecast
Canada Post Segment - Income Statement

(in millions of Canadian dollars)	2018 Forecast[1]	Prior Year[2]	B/(W) * Pr Yr	B/(W) * Pr Yr % [3]
Revenue from operations	6,784	6,506	278	3.9%
Cost of operations				
Labour	3,462	3,222	(240)	
Employee benefits	1,474	1,262	(212)	
Other operating costs	1,813	1,690	(123)	
Depreciation and amortization	304	248	(56)	
Total cost of operations	7,053	6,422	(631)	(9.4)%
Profit (loss) from operations	**(269)**	**84**	**(353)**	
Investing & financing income (expense), net	5	(8)	13	
Profit (loss) before tax	(264)	76	(339)	
Tax expense (income)	(71)	17	88	
Net profit (loss)	**(193)**	**59**	**(252)**	
Other comprehensive income (loss)	939	(192)	1,131	
Comprehensive income (loss)	746	(133)	879	

* B/(W) = Better / (Worse)
1. 2018 financials reflect IFRS 16 "Leases" (IFRS 16)
2. 2017 financials restated to reflect IFRS 15 "Revenue from Contracts with Customers" (IFRS 15)
3. Days Adjusted
May not add due to rounding

The Canada Post segment is forecasting a loss before tax of $264 million in 2018. This is a $339 million decrease when compared to 2017. The loss is largely attributed to the estimated cost impact of the arbitrator's final ruling related to pay equity for members of the Canadian Union of Postal Workers – Rural and Suburban Mail Carriers (CUPW-RSMC) employees. The Corporation has recorded additional expenses of approximately $410 million in 2018, which included about $190 million for pension and other post-retirement plan amendment losses.

Revenue increase of $278 million (3.9 per cent) is due to continued growth in Parcels, partially offset by Transaction Mail volume erosion, which continues to be adversely affected by the use of digital alternatives by households and businesses. Domestic Parcel revenue and volumes are projected to increase by 21.2 per cent and 15.7 per cent respectively, and Domestic Lettermail volumes are forecasted to decline by 4.5 per cent.

Operational costs increase of $631 million (9.4 per cent) is mainly due the one-time costs related to the arbitrator's pay equity decision regarding CUPW-RSMC, as well as increased costs related to Parcels volume growth, inflationary pressures and fuel increases.

Canada Post Corporation
Summary of the 2019 to 2023 Corporate Plan

2018 Operating Forecast
Canada Post Corporation Consolidated Income Statement

(in millions of Canadian dollars)	2018 Forecast[1]	Prior Year[2]	B/(W) * Pr Yr	Pr Yr % [3]
Revenue from operations	8,781	8,318	463	5.1%
Cost of operations				
Labour	4,344	4,034	(310)	
Employee benefits	1,679	1,456	(223)	
Other operating costs	2,414	2,292	(122)	
Depreciation and amortization	415	305	(110)	
Total cost of operations	8,852	8,087	(765)	(9.0)%
Profit (loss) from operations	**(71)**	**231**	**(303)**	
Investing & financing income (expense), net	(43)	(27)	(16)	
Profit (loss) before tax	(114)	204	(318)	
Tax expense (income)	(24)	56	80	
Net profit (loss)	**(90)**	**148**	**(239)**	
Other comprehensive income	965	(193)	1,158	
Comprehensive income	874	(45)	919	

* B/(W) = Better / (Worse)
1. 2018 financials reflect IFRS 16 "Leases" (IFRS 16)
2. 2017 financials restated to reflect IFRS 15 "Revenue from Contracts with Customers" (IFRS 15)
3. Days Adjusted
May not add due to rounding

The Group is forecasting a loss before tax of $114 million, which is $318 million worse than the prior year. These results are attributable to the Canada Post segment, as discussed above, partially offset by higher volumes from business growth in the Purolator segment.

2019 Operating Budget

2019 Operating Budget
Canada Post Segment - Income Statement

(in millions of Canadian dollars)	2019 Plan[1]	2018 Forecast[1]	B/(W) *	B/(W) % *
Revenue from operations	7,019	6,784	234	3.5%
Cost of operations				
Labour	3,491	3,462	(29)	
Employee benefits	1,320	1,474	154	
Other operating costs	1,936	1,813	(124)	
Depreciation and amortization	300	304	5	
Total cost of operations	7,047	7,053	6	0.1%
Profit (loss) from operations	**(28)**	**(269)**	**240**	
Investing & financing income (expense), net	7	5	2	
Profit (loss) before tax	(22)	(264)	242	
Tax expense (income)	(12)	(71)	(59)	
Net profit (loss)	**(10)**	**(193)**	**183**	
Other comprehensive income	495	939	(444)	
Comprehensive income	485	746	(261)	

* B/(W) = Better / (Worse)
1. 2018 and 2019 financials reflect IFRS 16 "Leases" (IFRS 16)
May not add due to rounding

The Canada Post segment is forecasting a loss before tax of $22 million for 2019, which is $242 million better than the 2018 forecast.

Revenue is projected to be $234 million (3.5 per cent) better than 2018 forecast. The increase is primarily driven by Domestic Parcels volume growth of 12.9 per cent, partially offset by continued Domestic Lettermail erosion of 5.1 per cent.

Operational costs are projected to be $6 million higher than 2018 forecast primarily due to inflationary pressures, volume growth in Parcels and increased investment in the business including network capacity. Costs would have increased much more significantly if not for costs related to pay equity for CUPW-RSMC employees recorded in 2018.

Employee benefit costs are expected to be $154 million better than 2018 due to one-time costs related to pay equity in 2018, and investment returns on pension plan assets reducing the 2019 expense. We must remain cognizant of the highly volatile nature of the $25 billion Pension Plan as our pension return and discount rates will continue to fluctuate based on market conditions and changes in demographic assumptions. A drop of half a percent in the discount rate would increase post-retirement benefits expense by more than $150 million in 2019.

Other Comprehensive Income is related to actuarial gains as a result of the re-measurement of pension and other post-employment plans. The return on plan assets is projected to exceed the discount rate with positive impacts on comprehensive income in 2018 and 2019.

2019 Operating Budget
Canada Post Corporation Consolidated Income Statement

(in millions of Canadian dollars)	2019 Plan[1]	2018 Forecast[1]	B/(W) *	B/(W) % *
Revenue from operations	8,981	8,781	201	2.3%
Cost of operations				
Labour	4,364	4,344	(20)	
Employee benefits	1,533	1,679	147	
Other operating costs	2,496	2,414	(82)	
Depreciation and amortization	414	415	0	
Total cost of operations	8,806	8,852	46	0.5%
Profit from operations	**175**	**(71)**	**246**	
Investing & financing income (expense), net	(48)	(43)	(5)	
Profit (loss) before tax	127	(114)	241	
Tax expense (income)	30	(24)	(54)	
Net profit (loss)	**96**	**(90)**	**187**	
Other comprehensive income	512	965	(453)	
Comprehensive income	608	874	(266)	

* B/(W) = Better / (Worse)
1. 2018 and 2019 financials reflect IFRS 16 "Leases" (IFRS 16)
May not add due to rounding

In 2019, the Group's profit before tax is expected to be $127 million, which is $241 million better than prior year, as a result of the Canada Post segment as detailed above.

6.7 Capital Forecast and Budget

2018 Capital Forecast

The total capital spend for the Canada Post segment is forecasted to be $323 million in 2018.

Area of Responsibility (as previously reported)		**2018 Capital Forecast ($M)**
Growth	Initiatives to grow business profitably, better serve our business customers, and engage consumers.	23
Network Capacity	Initiatives to resolve infrastructure capacity challenges due to parcel volume growth.	101
Business Improvement	New mobility computing infrastructure, street furniture security, continuous availability of shipping systems, system changes due to negotiations, and various operational improvements.	27
Business Continuity	Vehicles, street furniture, real estate, plant equipment replenishment and upgrade, IT end of life and systems upgrade (hardware/software).	172
Canada Post segment		**323**

The total capital forecast for the Canada Post Group is $436 million (net of $1 million inter-segment elimination entries), of which $323 million is for the Canada Post segment.

2019 Capital Budget

The 2019 Capital Budget continues to advance the existing strategic imperatives, while taking steps to begin to reflect the new direction set for us by the Shareholder. In 2019, we will continue to implement solutions to address immediate capacity challenges and make changes to our network required to meet long-term parcel volume growth projections. Capital requirements supporting our strategic imperatives will support e-commerce growth, drive our service commitment to customers and modernize our application landscape, infrastructure and platforms. We will also enhance the efficiency of our fleet by exploring clean energy alternatives, expanding the accessible delivery program and evolving to meet the new expectations of shippers and provide the best receiving experience for all Canadians.

Furthermore, we will continue to invest in tools, equipment, processes, and infrastructure to drive operational improvements. Capital investments will also be made in order to replenish vehicles, street furniture and upgrade systems and equipment reaching their end of life.

		2019 Capital Budget ($M)
STRATEGIC IMPERATIVES		**518**
Initiatives to keep pace with the growth of e-commerce, drive our service commitment to customers, modernize our application landscape, infrastructure and platforms and focus on evolving to meet the new expectations of shippers and provide the best receiving experience for all Canadians.		
Delivery	Investments in delivery facilities, vehicles and equipment to create parcel capacity, and other improvements in last mile capabilities.	115
Sort	Investments to deal with obsolescence, address growth and drive our service commitment to customers including expansion of facilities in the Greater Toronto area and new processing solutions in Montreal.	235
Retail	Investments aimed at enhancing customer and employee experience at our post offices which includes replacement of the current point of sale system	43
IT	Investments to modernize our IT landscape, infrastructure and platforms with focus on replacing our delivery systems, and evolving applications and processes related to SAP.	34
Parcel	Investments which focus on meeting the new expectations of shippers and providing Canadians with innovative delivery models.	24
Other	Focus on innovation and simplification in order to reframe the value proposition of Direct Marketing, evolve our digital channels and customer tools, create an environment that brings out the best in all our people, and evolve to align with the new and expanded vision of Canada Post.	67
INFRASTRUCTURE		**230**
Initiatives that focus on the replacement of operational assets (e.g. vehicles, street furniture) and other operational equipment. Includes investment to maintain/upgrade facilities.		
Asset Replenishment	Replacement of operational assets, such as vehicles and street furniture, and investment to maintain/upgrade facilities.	190
Other Infrastructure (Systems, Equipment)	Investment to address obsolescence and replacement of other operational and IT equipment.	40
Canada Post segment		**748**

The Canada Post Group's 2019 Capital Budget is planned at $893 million (net of $1 million inter-segment elimination entries), of which $748 million is planned for the Canada Post segment.

Because of the nature of Canada Post's operating environment the majority of the capital proposed for this Plan's period is considered as part of multi-year projects. These multi-year projects, their costs and associated benefits may fluctuate, particularly in the outer years of this Plan. They will be reviewed on an annual basis, and will continue to be included in future corporate plans and capital budgets.

Five-Year Capital Plan

The Capital Plan for the five-year planning period is set out below (in millions of dollars). Included in our Strategic Imperatives are initiatives associated with increasing parcel processing and delivery capacity across our network. We estimate the capital associated with these projects will cost $354 million in 2019 and $1.5 billion over the course of this Plan.

Area of Responsibility	Capital Projects for 2019-2023	2019	2020	2021	2022	2023	Total
Strategic Imperatives	Initiatives to keep pace with the growth of e-commerce, drive our service commitment to Canadians, modernize our application landscape, infrastructure and platforms and focus on evolving to meet the new expectations of shippers and provide the best receiving experience for all Canadians.	518	479	404	501	350	**2,252**
Infrastructure	Initiatives that focus on the replacement of operational assets (e.g. vehicles, street furniture) and other operational equipment. Includes investment to maintain/upgrade facilities.	230	273	287	292	275	**1,357**
Canada Post segment		**748**	**752**	**691**	**793**	**625**	**3,609**

Capital Plan – Mandatory disclosure

Based on an assessment using the value of our asset base, no individual planned capital expenditure meets the threshold set out in the guidelines. As a result, no additional disclosure is required.

6.8 Borrowing Plan

Borrowing Authority

Our funding activities are governed by:

- Section 28 of the *Canada Post Corporation Act*
- Sections 101 and 127 of the *Financial Administration Act*
- *Appropriation Act No.4, 2009-10*

Under *Appropriation Act No. 4, 2009-10*, we are authorized to borrow otherwise than from the Crown not exceeding from time to time an aggregate outstanding amount of $2.5 billion in accordance with the terms and conditions approved by the Minister of Finance.

In accordance with *Appropriation Act No.4, 2009-10* and 127(3) of the FAA, we require the approval of the Minister of Finance to enter into any particular transaction to borrow money, including the time and the terms and conditions of the transaction. The following outlines our borrowing plan:

Short Term Borrowings

We estimate our requirement for short-term liquidity, defined as cash and cash equivalents plus immediately available short-term borrowings, to be in the amount of $500 million. When our cash resources are depleted, additional short-term borrowing will be necessary to ensure sufficient flexibility in managing our liquidities. At such time as those funds are required to run the business, we will seek approval from the Minister of Finance to increase the short-term borrowing limit from our current level of $100 million, to a new level of $500 million. Even when including the short-term liquidity requirement of $500 million and existing debt, the Corporation will not exceed the approved borrowing limit.

Long-Term Borrowings

We are expected to resume contributing over $500 million in special payments towards our pension plan, in 2020, and have projected these solvency special payments to total close to $1.8 billion by 2023. Given forecasted operating losses and significant planned capital investments over the next five years, making these payments will require additional long term borrowing of $500 million during this Plan's period.

The Canada Post segment's debt levels for the 2019 to 2023 planning period are summarized below:

Forecasted Debt Summary ($M)	2019	2020	2021	2022	2023
Opening balance	997	997	997	997	1,097
New borrowings	-	-	-	100	400
Ending balance	997	997	997	1,097	1,497

(Excludes short-term liquidity requirement of $500 million)

Additional borrowing will be needed starting in 2022, but will not exceed the current Parliamentary approved borrowing limit of $2.5 billion during the Plan's period. The above debt levels reflect year-end balances for long-term borrowing and as previously stated, do not include our $500 million short-term liquidity requirement or any short-term borrowings.

Funding requirements through to the end of 2021 will be met by drawing upon existing cash-on-hand and monetary investments. Upon exhaustion of our corporate funds in 2022, we will need to borrow in order to fund our operations.

Our long term borrowing needs are based in part on special payments towards our pension plan. With one of the largest single employer-sponsored defined benefit pension plans in the country, a small change in discount rate would significantly impact our solvency obligation. Should changes in the discount rates and investment returns significantly fluctuate, we might be required to seek additional borrowings sooner than we now anticipate, as well as an increase to our current authorized borrowing limit to finance the pension plan as required by law.

Leases

Existing right-of-use leases

To sustain operations, we lease a number of properties, including industrial buildings, retail stores, offices and land. Existing leases which will be right-of-use assets as of January 1, 2019 (restated January 1, 2018), by asset class and included in the Plan, are summarized below.

These amounts were determined using our existing network of leases and therefore do not include upcoming potential leases (for approval) included below.

	Estimated lease liability ($M)[1,2]					
	2018	**2019**	**2020**	**2021**	**2022**	**2023**
Total	**646**	**651**	**657**	**664**	**671**	**679**

To support a network that is operating at near capacity, yet preserve operational flexibility, we seek approval of up to $1,326 million for upcoming leases to be executed and commence in 2019.

6.9 Enterprise Risk Management

Our Enterprise Risk Management (ERM) practice includes semi-annual reporting to provide an overview of top risks and associated mitigation plans and controls to the Board of Directors. Updates on key risks are also provided as part of quarterly MD&A disclosures.

Risk owners at the senior management level are engaged to develop a comprehensive view of the top risks facing the Corporation and to identify impact, likelihood and mitigating actions being undertaken for identified risks. The consolidated results, approved by the senior executive, are presented to the Management Executive Committee and Board of Directors twice a year and to the Audit Committee in September.

Ongoing risk assessment occurs through monitoring of our external environment, internal reporting on key performance indicators and management oversight. Day-to-day management of risks resides with functional or subject-matter experts within our organization. These risk owners are responsible for employing appropriate measures to control the likelihood and impact of identified risks. Basic risk controls, including proper governance, performance management, decision-making policies and other internal controls, act as the foundation of risk management.

Strategic Risks

We define risk as any event or condition that could have an unplanned effect (positive or negative) on our ability to achieve our key strategic, financial and operational goals. The following is a summary of the principal sources of strategic and operational risk and uncertainty we face, along with associated mitigation strategies.

1. Ability to achieve long-term sustainability

Our shareholder, the Government of Canada, mandates that we fund our operations with revenue from products and services as opposed to with taxpayer funding. Potential factors that could impact the Corporation’s ability to achieve long-term financial sustainability include, among others: larger than anticipated declines in Lettermail volumes, growth in the pension liability due to a low interest rate environment; difficulty driving innovation and growth in a highly competitive and disruptive industry; capital investment necessary to update and maintain the existing infrastructure; cash requirements to weather economic cycles; and, the outcome of labour negotiations.

To mitigate these risks, we are focusing our efforts on the active growth of the Parcel business. Additionally, we are actively investing in automation and operational efficiencies, new technology and practices to improve the customer experience and support innovation and growth.

In January 2018, the Government announced its vision for renewal at Canada Post. On the basis of that vision, we will develop a strategic plan to address our long-term financial sustainability. The plan will be completed in 2019 and reflected in the 2020 – 2024 corporate plan.

2. Significant Core Volume Declines

The legislated exclusive privilege that protects Lettermail from direct competition is less relevant in an increasingly digital world. In 2017, Lettermail experienced its eleventh consecutive year of volume declines as businesses in the financial, telecommunications, government and utilities sectors have moved to deliver their statements electronically.

Looking ahead, current indicators suggest we will be no exception to the trend experienced by posts in most other developed countries where, after peak volume was reached, letter mail erosion has continued uninterrupted each year thereafter. A one per cent annual increase in erosion over this Plan's period would negatively impact EBT and cash by approximately $380 million. Factors known to accelerate erosion include: broadband penetration, the transition to digital government, electronic substitution of online banking and other previously physical documents, regulatory changes allowing for the digital delivery of documents previously mandated to be delivered by mail, and labour disruptions and/or prolonged labour negotiations. Going forward, the prominence of digital alternatives to mail among younger generations will likely lead to lower mail volume as they represent a greater proportion of Canadians.

Our primary focus for Lettermail is on strategically managing margins, while ensuring it is available to all businesses. To achieve these outcomes, the Corporation has focused on revising prices, where appropriate, and simplifying the customer experience.

Marketing mail (Canada Post Smartmail Marketing™) is also facing strong competitive pressure from digital advertising and private companies distributing other unaddressed products such as flyers and newspapers. A one per cent annual volume decrease in Direct Marketing products over this Plan's period would negatively impact EBT and cash by approximately $140 million. Potential risks which may accelerate erosion include: digital substitution, reduced point of call growth due to declining population growth; possibility of an economic recession; diminishing direct mail knowledge within the advertising industry.

Despite competitive pressures, we believe that marketing mail presents a growth opportunity because it remains a highly effective driver of consumer/customer engagement and therefore, marketing results for businesses of all sizes. We have implemented a new growth strategy designed to re-position our offering for greater relevance in today's advertising market by engaging advertising influencers, publishing marketing research studies, and optimizing DM sales channels.

We are also innovating our Direct Mail offering. Postal Code Targeting, introduced in 2017, and changes to Neighbourhood Mail in 2018/19 will help to better meet the advertising needs of retailers and compete for a larger share of the flyer market. Over the coming years, we will also make improvements to our data asset that enables Marketing targeting and intelligence and continue to provide innovative and competitive solutions to our customers.

3. Pension Deficits

The RPP remains one of the largest single-employer sponsored pension plans in Canada with assets of $25 billion in market value at December 31, 2017. The scale of the RPP – given its size relative to our revenue and earnings, and its funding volatility – poses an ongoing risk for us. The RPP has two primary risk factors; continued low long-term interest rates, which increase the pension obligation; and, lower than expected returns or loss on a severe market correction on assets which would create a shortfall in assets available to meet benefit payments. A drop of half a percent (50 basis points) in discount rates would decrease earnings by about $150 million in 2019. Over this Plan's period, earnings would decrease by over $780 million and cash would be negatively impacted by over $1.5 billion. Similarly, should the rate of return on plan assets be three per cent lower than forecasted for 2018, earnings and cash over the five years would decrease by about $135 million and $480 million respectively.

On June 20, 2018, Canada Post filed the actuarial valuation of the RPP as at December 31, 2017. The actuarial valuation as at December 31, 2017 disclosed a going-concern surplus of $3 billion (using the smoothed value of RPP assets), and a solvency deficit to be funded of $6.4 billion (using the three-year average solvency ratio). Canada Post, as the RPP sponsor, is responsible for funding shortfalls in the RPP.

We continue to evaluate our pension solvency position and have implemented a pension risk management framework to identify and quantify risks. In addition, all investment decisions are made in accordance with the Canada Post Registered Pension Plan Statement of Investment Policies and Procedures (SIPP). The SIPP is reviewed annually by the Pension Committee of the Board of Directors. A new investment strategy is also in place to lower investment volatility and minimize liability shortfall. Additionally, new employees who are Management/Exempt, PSAC, APOC, or CPAA are now covered by a Defined Contribution plan rather than a Defined Benefit plan.

In February 2014, the Government of Canada introduced Canada Post-specific regulations which provided us relief from the need to make special payments to the RPP for four years (from 2014 to 2017). This measure addressed the immediate need for additional liquidity. In 2017, the Department of Finance approved amendments to Federal Pension Regulations regarding Crown solvency payment reductions. The cumulative limit of solvency payment reductions was changed from 15 per cent of assets to 15 per cent of liabilities providing additional relief to Canada Post.

4. Revenue growth and diversification strategy

To offset declining volumes in the core Lettermail business, we are focused on growing in the e-commerce market. E-commerce growth creates the risk that rising parcels volumes exceed our sorting and delivery capacity due to: long-term growth uncertainty complicating long-term capital planning; the material capital required for investment; unexpectedly high inbound international volumes; difficulties in securing collective bargaining agreement and changes to accommodate parcel growth. We have estimated the impact of a one per cent annual change in Parcel volumes over this Plan’s period to have an EBT and cash impact of over a $420 million.

Failure to meet parcel volume growth could affect consumer confidence and result in a loss of brand equity and a potential loss of customers. Traditional global competitors are intensifying the deployment of new cost-effective residential delivery models and may be further advantaged with the increase in the import tariff de minimis value. There has been a subsequent rise in competition from new parcel and courier market entrants with asset-light delivery models. Further, retailers are increasingly focusing on fulfillment strategies such as pickup centres for click-and-collect services to minimize delivery costs. Major retailers have been actively shaping consumer expectations for low-cost and speedy delivery in major urban centres. Our Lettermail based operating model is not well positioned to meet increasing market demands for same-day/urgent delivery.

We are shifting our network design strategy to become more parcel-centric and increasing parcel capacity in physical delivery. Capacity increases to delivery facilities and plants include investment in real estate, parcel sortation systems, equipment, vehicles, process changes, and weekend delivery. Initiatives to meet the e-commerce segment needs such as the FlexDelivery™ service, delivery instructions, re-directions, apartment parcel lockers, and Sunday delivery in the weeks before the Holidays have been implemented. We have also strengthened our pickup offering to better serve small and medium-sized businesses, invested in a performance reporting tool with larger commercial customers, and are continuing to invest in consumer delivery preferences.

5. Labour Agreements

Roughly 95 per cent of our employees are represented by four bargaining agents and five collective agreements. With collective agreements expiring almost every year, we find ourselves continuously in negotiations with one or more of our unions.

An actual labour disruption, or the threat of one, can affect a variety of our products. Lettermail erosion could accelerate and lead to a loss of revenue as businesses switch to digital billing options. DM erosion could accelerate as customers switch campaigns to digital advertising or other marketing solutions. Large volume parcel customers could switch all or part volumes to competitors, new entrants, or enable their own solutions as a hedging mechanism that could result in permanent volume losses to CPC as customers may not return. Service levels could also be affected as prolonged negotiation may negatively impact employee engagement. In the event of a labour disruption, SME's would suffer a significant impact, as large customers would likely take the majority of market capacity.
In 2017, CPC began a new round of negotiations with the Canadian Union of Postal Workers (CUPW-UPO and CUPW-RSMC), following the 2-year agreement ratified in 2016. On June 2018, following several rounds of failed negotiations, CUPW requested conciliation with a potential strike date of Sept 25th.

In the light of this potential labour disruption, CPC has initiated contingency arrangements.
A national contingency team has been assembled to ensure sufficient time to develop comprehensive plans and conduct exercises in preparation for expected impact to operations and service delivery. Additionally, a customer communications process to maintain transparency in collective bargaining processes has been implemented.

Two of CPC's collective agreements (CPAA and APOC) have binding arbitration in the form of a final offer selection process instead of a strike or lockout, which has helped mitigate risk. A negotiated agreement with PSAC has been ratified.

6. Information Systems and Information Technology

As Canada becomes more digitally connected, we require even greater technological agility and responsiveness to remain competitive. Our IT systems may not be able to accommodate these requirements due to the need for investment in existing systems, insufficient financial and human resources, insufficient scaling capacity of existing systems and competing priorities for remediating existing systems and developing new systems.

We are presently making key technology investments in the re-architecture of delivery systems, a parcel-centric retail transformation program, a SmartMail marketing data strategy and the next generation of mobile computing devices. Project prioritization and phasing has been implemented to alleviate transaction volume risk. Parcel capacity assessments have been conducted and initiatives will be brought forward to address critical parcel system capacity and performance issues prior to the 2018 Peak Season.

Our IT subsidiary, Innovapost, is introducing changes to its operating model and restructuring the organization to deliver the benefits of this change. The new operating model will change the approach to delivery and how systems are operated. Delivery systems will be reorganized to better align IT with the priorities of the business, improving portfolio management and resource utilization. Innovapost continues to track and monitor the rates of major incidents impacting critical business functions to ensure the stability of the infrastructure.

7. Security, Privacy and Fraud

Risks to security and privacy involving physical mail, electronic information, and enterprise assets affect our reputation, brand, customer loyalty, and financial sustainability. Data breaches or fraudulent use of the Corporation's products could result in legal actions, negative impact to customers and employees, and cause serious damage to the Corporation's financial position and brand.

Several controls have been put in place to reduce the likelihood of a cyber-attack including: industry standard controls; employee awareness and education; issue-management communication strategies, simulation exercises to test the Corporation's strategies and resilience; network isolation and intrusion protection of data centres and Mail Processing Equipment Network; Network Cyber and Breach Insurance; Payment-Card Certification; Vulnerability Management tools.

Similarly, controls have been put in place to reduce the likelihood of electronic and physical data breaches including: deployment of industry best practice systems, incident management processes, targeted employee education on data breach prevention, regular privacy assessments and active monitoring of all data systems.
Finally, various controls exist to reduce the likelihood of Fraud including Corporate Policies and governance procedures that enhance the Corporation's ability to prevent fraud; enable it to detect, deter and disrupt fraudulent activities; and training and awareness programs for employees.

8. Procurement risks related to major suppliers' transition

Failure to effectively execute the procurement process and successfully make the transition when a new provider is selected, could have significant impacts on our finances, reputation and operations. The supplier's ability to fulfil its contractual obligations could also negatively impact our ability to serve our customers.

We are addressing this risk through robust procurement processes including, where required, guidance from a fairness commissioner, the hiring of third-party and industry experts, and extended windows for transition periods. Procurement strategies are prepared for each major initiative to ensure internal alignment and active oversight for the duration of the contract. These strategies cover scope, selection methodology, business drivers, market approach, contract management and risk mitigation. Contract approval is scaled based on the required investment. Special attention is paid to where a supplier's execution or failure of contractual obligations presents a material impact to the Corporation's ability to serve its customers on a national level.

9. Brand

We are recognized as the national leader in parcel delivery and an e-commerce enabler in Canada. We have also redefined our value proposition within the market. Maintaining strong brand equity is essential to ensure business viability and growth. Brand equity could be negatively impacted by a poor customer experience, a failure to align brand strategy with market developments and a failure to anticipate consumer expectations in a competitive e-commerce environment.

We are investing in improving consumer experience by launching new delivery products and services, improving customer communications and transforming our retail network. We are also dedicated to engaging the organization to be brand ambassadors and to provide a consistent brand experience across all our touchpoints through consistent monitoring and reporting. This will help ensure that we maintain our role as a delivery leader for all Canadians.

10. Talent Management

Over the next five years, we anticipate about 11,000 employees will leave our organization, largely through retirement. There are three major risks associated with attrition and overall talent management: failure to attract, engage, and retain high caliber talent; loss of specialized knowledge for key roles or poor knowledge transfer within critical areas of the business, and ineffective management of key and vulnerable roles that could have an impact on business continuity.

To manage this risk, we are integrating technology into our recruiting efforts and creating realistic job previews for candidates to enhance onboarding processes. We have created a new Performance Management system and are facilitating employee development through career development plans and accredited management programs. To manage succession risk, we are providing succession planning to better understand employee career goals and drive more effective talent development. Furthermore, we have expanded our leadership development program to include middle management team leaders.

11. Organizational Resilience

There is a risk that we may not have the resiliency to continue operations in a timely manner, following a major business disruption or incident, such as a loss of access to facilities or the workplace, loss of workforce, loss of technology and data, etc. resulting from a natural, man-made or technological disaster.

We have Incident Management Response and Contingency programs in place to ensure the delivery of our critical physical and digital services by assembling the necessary parties in the event of a business disruption. We have employed a variety of tools to identify risks and create resilience by design. We have also purchased property insurance to cover any unanticipated damages. Business continuity plans are regularly tested and updated, taking into account changes to the business environment.

12. Occupational Health and Safety

We are committed to maintaining the highest safety standards for all our employees, visitors and contractors and believe that all occupational injuries, illnesses and incidents are preventable. Non-compliance with statutory Health and Safety requirements, policies, procedures and systems could negatively impact: the safety of employees, visitors, contractors and the public; the reputation of our brand; employee attraction and engagement and generate direct and indirect costs

We have several controls and policies in place to warranty a safe work environment for employees such as: Compliance Audits conducted throughout the year to identify gaps; Health and Safety Action Plans prepared to improve safety performance; Health and Safety Reporting and Monitoring at executive level; mandatory training for employees; National campaigns to enhance safety awareness; Safety tools to mitigate specific risks, and Violence Prevention initiatives, among others.

13. Service Quality

Service quality and a focus on customer's needs is a top priority for the Corporation. Possible service quality issues may arise due to, among others, parcel and packet capacity constraints, ageing processing equipment, complex business processes, etc.

We use business intelligence and analytics to actively monitor operational performance to identify issues and root causes and to resolve service problems. Continuous improvement and procurement of new resources and technology in our exchange offices will facilitate inbound postal channel product flow. Where there's a need to grow inbound commercial market share, we are securing access to inbound networks. We have undertaken a project to improve the existing infrastructure, updating the point of sale system, re-architecture the delivery systems, manage customer service expectations at peak, and other short-term capacity solutions.

14. Environmental Sustainability

Our ability to demonstrate low environmental impact of mail and environmentally sustainable practices could fail to meet expectations of customers and/or the Shareholder. Failure to do so could result in increased regulatory scrutiny, oversight, regulatory intervention, or a reduction in volume due to customer's shifting their business to more environmentally friendly competitors.

We are actively reviewing our environmental policy to ensure that policies and targets are comparable to other Posts, competitors and federal sustainable development goals. Executive leadership and responsibility has been assigned to prioritize the development of a new Environmental Vision and Strategy to meet these goals. Specialized external consultants have been engaged to assist in the development of a new Environmental Vision and Strategy.

15. Legal Risk

We currently face risk from a number of material legal matters. Where appropriate, we have recorded provisions for some of the following matters. Should the ultimate resolution of these differ from management's assessments and assumptions, this could result in a material future adjustment to the Corporation's financial position and results of operations.

CPAA pay equity complaint

The Canadian Postmasters and Assistants Association (CPAA) initially filed a complaint with the Canadian Human Rights Commission (CHRC) in 1982, alleging discrimination by the Corporation concerning work of equal value. That complaint was settled in 1985, after which a second identical complaint was filed by the CPAA in 1992. The 1992 complaint was settled by the parties in 1997. Nonetheless, in 2012, the CPAA requested its reactivation. In 2014, the Commission investigator concluded that, while agreements between the parties resolved pay equity issues for the period subsequent to 1997, the prior period (1992-97) remained in issue and should be referred to the Canadian Human Rights Tribunal (Tribunal) without further investigation. In early 2015, the Commission rendered a decision, agreeing with the investigator, that the matter should proceed to the Tribunal on its merits.

CPAA took the position that the Tribunal should not be limited to the 1992-97 period, but should assess liability against Canada Post to the present day. A motion was heard by the Tribunal on June 19, 2017, and on January 15, 2018, the Tribunal ruled that the complaint is limited to the period from September 1992 to March 30, 1997, and does not include ongoing liability.

Class action lawsuit regarding drug plan benefits for Canada Post employees and retirees in Quebec.

In June 2017, the Quebec Superior Court authorized a class action lawsuit to proceed against the Corporation. The allegation is that some employees and retirees in the province of Quebec may have made, between July 1, 2013, and the present, co-payments for prescription drugs under Canada Post drug insurance plan that are in excess of the annual maximum set by legislation that regulates the Régie de l'assurance maladie du Québec (RAMQ). We have notified 501 potential members of the class action lawsuit. The outcome of this class action is currently not determinable.

Health and safety obligation under the Canada Labour Code – Burlington points of call

The Federal Court of Appeal reinstated the original direction of a Health and Safety Officer from Employment and Social Development Canada (ESDC), which requires us to conduct annual health and safety inspections of all affected points of call in Burlington, Ontario. No monetary award was granted, but the annual health and safety inspections could conceivably apply to all points of call at a national level. The Supreme Court of Canada granted an application by the Corporation for leave to appeal. The notice of appeal was filed on May 14, 2018. A hearing date has tentatively been scheduled for December 10, 2018.

16. Border Security Processes

There is a risk that postal customs clearance processes negatively impact consumer experience due to: international agreements and changes in trade / volume origin sources; Canada Border Service Agency resourcing to manage volumes during peak; changes in processing times for security screenings; among others.

Canada Post and the CBSA have created a joint 5-year plan to address key issues facing both organizations, including governance, people, financial/business cases and re-engineering processes. We are actively improving inbound and outbound international product flow by exchanging package content data in advance of sending packages to / receiving packages from foreign Posts, and are also increasing post-clearance capacity.

The Corporation actively works with the Universal Postal Union (UPU), and will advise the Government of Canada on the impact of proposed changes upon postal customs clearance processes as a result of international trade agreement negotiations.

6.10 Compliance with Legislative and Policy Requirements

Canada Post Corporation Act: Government (Parliamentary) Mail

In addition to our USO and core postal services, we deliver certain public policy programs on behalf of the Government of Canada. We receive an annual appropriation of $22.2 million from the Government for the delivery of parliamentary mail and materials for the blind. This amount has been in place since January 2000 and has since remained constant. It is not linked to changes in volume or cost.

Section 35 of the Act allows for mailing of letters free of charge between citizens and members of Parliament, the Speaker and Clerk of the Senate and House of Commons respectively, the Governor General, the Parliamentary Librarian, the Associate Parliamentary Librarian, the Conflict of Interest and Ethics Commissioners, and Senate Ethics Officer. Members of the House of Commons (MPs) can also send up to four flyer mailings (through our Neighbourhood Mail service) free of charge to their constituents in any calendar year.

In 2017, Members of Parliament (MPs) mailed and received 1.6 million letters and mailed 48 million pieces of Neighbourhood Mail for free under the Act. In addition to the four free flyer mailings, we provide MPs with a deeply discounted postage rate for any further flyers sent out during the year. These Neighbourhood Mail pieces are sometimes called "10 percenters" and the current rate set in 1995 is $0.82 per kilo or about $0.005 per piece. In 2017, MPs paid $153,000 to mail 34.6 million pieces of Neighbourhood Mail at the discounted rate, as compared to a normal commercial rate of $0.094 per piece or $3.2 million for the total.

Materials for the use of the Blind

The Act, through the Materials for the use of the Blind Regulations, provides for free mailing privileges for certain materials for use by blind persons, such as Braille material, talking books, and DVDs. These services date back to the 19th century, and are part of Canada's obligations under the UPU.

The program is used by a number of groups, with the Canadian National Institute for the Blind (CNIB) and La Bibliothèque Nationale du Québec being the largest mailers of material. This program has also been used by public libraries across Canada, as well as a number of other businesses and organizations. The regulations and international agreements extend beyond domestic mail, and also cover materials sent internationally.

Library Materials

Canada Post has a Library Materials service that provides reduced rates for the movment of books, mangazines, recods, CDs, DVDs and other audiovisual materials between libraries. We receive no appropriation or compensation from the Government to offset the discounted postage.

Community Investment

We have enjoyed a long and proud history of investing in the communities we serve through our corporate philanthropic and community investment activities. The community spirit of our employees has never been more evident than it has been in past years. Through fundraising and financial support for the Canada Post Community Foundation for Children, donating to and providing essential service through the Red Cross, contributing to United Way, or helping Santa reply to some 1.6 million letters yearly, our employees have, once again, proved to be good neighbours and great community citizens.

For example, the Canada Post Community Foundation has distributed over $7 million to over 660 organizations across Canada in the past seven years. The Foundation is a registered not-for-profit charity, operated at arm's length from Canada Post with an independent board of trustees. The Canada Post

Community Foundation aims to ensure that every child in Canada is happy, healthy and part of a community that supports and cares for them. Its mission is to have a positive effect on the lives of children in the communities we serve.

We continue to support literacy by encouraging young children to write to Santa Claus through our Santa Letter Writing Program. With the help of thousands of our employees and retirees volunteering their time as "Postal Elves", Santa has responded to more than 36 million letters in over 30 languages, including Braille, over the last 36 years. That is the legacy of the program which has created many magical memories for Canadians of all ages.

Accessibility Legislation

On June 20, 2018, the Government introduced Bill C-81, An *Act to Ensure a Barrier-Free Canada* (Accessible Canada Act) which will apply to all federally regulated organizations, including ourselves. We welcome this important legislation and are committed to working with the Government and all stakeholders to ensure we meet all our obligations under the Bill C-81 once passed.

We engaged with the Accessibility Secretariat at Employment and Social Development Canada during the consultation phase to gain an early understanding of the approach the Government was taking. We are carefully following Bill C-81 through the legislative process and the drafting of regulations.

As a major federal employer, service provider and procurer of services, we recognize the legislation and regulations will impact many aspects of our organization. To ensure we meet the expectations of our shareholder and of all impacted stakeholders, we will develop a cross-company approach to demonstrate strong leadership in this area.

Canada Post already provides many services that make it easier for people with disabilities to access our postal products and services. In our retail locations, examples include access ramps, electronic doors, accessible payment devices and the welcoming of service animals. As previously mentioned, to support the visually impaired, we provide a Literature for the Blind service that allows specific items used by blind persons to be mailed for free, such as materials impressed in Braille and sound recordings, such as CDs. For the hearing impaired, we have a dedicated toll-free TTY customer service line. We also provide instruction to our employees on how to serve customers with visual or hearing impairments. We are also committed to making our website accessible to all Canadians. Some of the accessibility features include keyboard shortcut options for navigating without a mouse, ability to change text size and quick access links.

As one of Canada's largest employers, Canada Post promotes a diverse workplace inclusive of Indigenous peoples, members of visible minorities, and persons with disabilities. As well, approximately 50 per cent of our workforce is women. We also have a disability management team. This team provides training for employees on how to accommodate physical and non-visible disabilities in the workplace.

Our collective agreements with our unions all address accessibility. We collaborate with unions and have joint decision-making on how to remove barriers. Each union also has a joint committee with Canada Post on respecting human rights.

As a major federal employer, service provider and procurer of services, Canada Post recognizes this legislation and its regulations will impact many aspects of our organization going forward. The legislation will require us to identify, remove and prevent barriers in six key areas that are identified in the bill. Recognizing that we have much work to do in this area, Canada Post is in the process of hiring a Director of Accessibility Policy. This is an important step as we work to improve accessibility at Canada Post.

We know that removing barriers and improving accessibility will require a lot of work and resources. But, we welcome this important legislation and embrace its goals. We hope that our efforts and continued commitment to doing more demonstrate the importance Canada Post places on improving accessibility for our customers and employees.

Canadian Human Rights Act

As a federally regulated Crown corporation, we are governed by the *Canadian Human Rights Act*, and must report to the Canadian Human Rights Commission on matters relating to human rights complaints and prevention matters that involve us.

We are committed to providing an environment which is respectful, safe and inclusive for employees, customers and citizens at our locations across Canada. Human rights protections are afforded in relation to employment matters at all stages, as well as to the provision of goods and services to the public, which includes the provision of accessible services at our corporate locations. The legislation makes it unlawful to discriminate on the grounds of race, national or ethnic origin, colour, religion, age, sex, sexual orientation, gender identity or expression, marital status, family status, genetic characteristics, disability or a conviction for which a pardon has been granted.

We strive to ensure we meet the spirit of the *Canadian Human Rights Act.* We promote inclusivity in the workplace in many ways, such as tracking and reporting on human rights issues, delivering human rights training, and evaluating accommodation requests on a case-by-case basis during different stages of employment, including recruitment and development. We also have policies in place to ensure human rights protections are known and communicated in the workplace, namely the Duty to Accommodate Policy, the No Discrimination / No Harassment Policy, and the Equality in Employment Policy. There are also associated practices for accommodating pregnant employees, requests related to religion, deaf, deafened or hard of hearing employees, and the Duty to Accommodate Practice.

Reviews are also conducted each year for these policies, with results reported to the Board of Directors with figures about the human rights grounds, as well as in the annual Corporate Social Responsibility report.

Lastly, our collective agreements reference joint commitments to ensure protection of human rights in the workplace. We meet regularly and work collaboratively with our bargaining units through ad hoc meetings and Joint National Human Rights Advisory Committees (separately with CUPW, APOC and PSAC) to discuss human rights reporting, current issues, updates to policies and programs, and to create human rights training or new initiatives. Each year human rights training is delivered to thousands of new employees in various employee groups, including training jointly created with CUPW, APOC, PSAC and involving CPAA.

Conflict of Interest Act

Our employees are expected to conduct themselves with personal integrity, honesty and diligence in performing their duties, and to act in ways which preserve and enhance our reputation and business integrity. Our Conflict of Interest Policy outlines responsibilities and expectations in this regard.

In order to ensure awareness of, and compliance to, our expectations, all management, APOC and PSAC new hires receive training regarding their obligations. Checkpoints and reminders exist for employees at each movement into a new role, as well as yearly as part of performance management. As well, members of the executive team must formally verify their adherence to the conflict of interest policy every year.

Employment Equity Act

As a Crown corporation governed by Canada's *Employment Equity Act*, we must report annually to Employment and Social Development Canada on the status of employment equity at the Corporation. Along with summarizing our efforts to build a more equitable workplace, we must also provide data on workforce representation of the four designated groups supported by the *Employment Equity Act* (women, Aboriginal peoples, persons with disabilities and members of visible minorities). Workforce representation of the four designated groups is compared with Canadian Labour Market Availability (CLMA) to measure progress. A truly equitable workforce is one which mirrors the Canadian labour market. The most recent report, from 2017, provides the following snapshot:

Designated group	2006 CLMA	Representation rates at Canada Post[1]								2011 CLMA[2]
		2010	2011	2012	2013	2014	2015	2016	2017	
Women	49.6%	50.5%	50.3%	50.5%	50.7%	50.4%	50.1%	49.9%	**49.6%**	49.4%
Aboriginal peoples	2.8%	2.3%	2.3%	2.3%	2.3%	2.3%	2.3%	2.3%	**2.4%**	3.4%
Persons with disabilities	4.8%	4.7%	4.3%	4.0%	3.8%	3.4%	3.2%	3.0%	**3.4%**	7.7%
Members of visible minorities	15.4%	12.3%	13.5%	13.8%	14.5%	15.4%	16.2%	17.1%	**18.1%**	16.0%

1. Canada Post Corporation's employment equity data is derived from voluntary employee disclosure of employment equity information from the Corporation's employment equity survey (the "Equity Census"), which is provided to all new employees during the onboarding process and also available to employees at any time on the Corporation's intranet site, Intrapost.

2. 2011 CLMA was implemented in 2014 under direction from ESDC and derived from 2011 Census of Canada data based on the 2011 National Household Survey and the 2012 Canadian Survey on Disability, and fluctuates slightly each year based on total workforce.

(Available on Intrapost: http://intranet.Canada Postgpc.ca/html/documents/employment_equity/ee_ar_2017-e.pdf)

In addition, we submit an annual multiculturalism report to Heritage Canada and proactively create a Corporate Employment Equity three-year plan and invite our bargaining agents to consult with us in this area. This Plan is updated with listed action items to reflect the goals and timelines to improve employment equity, diversity and inclusion in the workplace. These are available to employees on the corporate Intrapost site.

Trade Agreements

Canada Post, as a named government procurement entity, as a state-owned enterprise with both monopoly and competitive services, and as a transnational delivery service provider, is keenly aware of the many provisions in the various trade agreements that apply to its business activities. Accordingly, Canada Post has teams within its Legal Affairs and Compliance Groups specifically tasked with ensuring that the Corporation has up to date awareness of, and conducts its activities in full compliance with, its and Canada's obligations under the various trade agreements. In addition, Canada Post regularly consults with relevant government departments, including Global Affairs Canada, and seeks advice and training from external experts to ensure its employees understand, plan appropriately for and comply with obligations arising from all domestic and international trade agreements.

Privacy Act

As a federally regulated Crown corporation, Canada Post and its personal information handling practices are governed by the Privacy Act. The *Privacy Act* applies to the personal information we collect, use and disclose, be it about the members of the public or our employees, and gives Canadians, and those present in Canada, the right to access their personal information held by us. It also requires us to protect that information against unauthorized collection, use and disclosure. Finally, under the *Privacy Act*, we must submit to Parliament an annual report on our administration of or obligations under the *Privacy Act*. This includes the implementation of privacy protection measures and the statistics on requests for access to personal information.

We take seriously our obligation to safeguard the personal information we are entrusted with by employees and customers. Our commitment to protect personal information plays an important role in our ability to achieve our business objectives and maintain the trust Canadians place in us.

We strive to follow the highest privacy standards in Canada.

We take a proactive approach to privacy by incorporating privacy-by-design principles as we develop and implement our products and services, using strong information management practices. We have policies to ensure the privacy protections of our employees and customers as well as a Notification of Breach of Personal Information Practice.

We also have policies to ensure privacy protections, namely the Canada Post Customer Privacy Policy, the Employee Privacy Policy, the Privacy Impact Assessment Practice, and the Notification of Breach of Personal Information Practice. We review these policies every year, and report to the Board of Directors with figures related to privacy issues raised and addressed internally and externally, the privacy impact assessments we conducted and the training we provided.

Access to Information Act

As a federally regulated Crown corporation, we are governed by the Access to Information Act (ATIA). It gives Canadian citizens, as well as individuals and corporations in Canada, the right to request access to records held by us (subject to certain exceptions). Under the ATIA, we must submit an annual report to Parliament on our administration of the ATIA, including the statistics on requests for access to information.

The administration of the ATIA is complex and challenging given our size and nature, and our competitive business environment. With about 52 per cent of our revenues earned in direct competition with well-funded companies in highly competitive markets, it is critical that we not disclose information that is commercially sensitive. Section 18.1(1)(*a*), protecting our commercially sensitive and confidential information, was added to the ATIA for our exclusive use, and to specifically acknowledge the unique commercial context in which we operate.

We are committed to transparency and meeting our obligations under the ATIA, while protecting information received from partners, suppliers and customers, and believe it is of paramount importance to balance the requesters' right of access with the protection of commercially sensitive, corporate and third-party information. This commitment is fundamental to respecting customer relationships and to retaining the trust customers place in us.

To this end, we deliver ATIA education and awareness to relevant internal stakeholders to ensure we continue to provide the public timely access to our information holdings, subject to legitimate exceptions.

As mandated by ATIA, we publish on our website information on business travel and hospitality expenses incurred by our President and Chief Executive Officer. In 2018, we are expanding our proactive publication of travel and hospitality expenses to include those of senior management and members of the Board of Directors. This aligns with anticipated reforms to the ATIA under Bill C-58.

Official Languages Act

As a Crown corporation subject to the Official Languages Act (OLA), we are required to report annually to the Treasury Board on the status of Parts IV, V and VI of the OLA. We also report statistical data on the linguistic composition of the workforce. We must also report to Canadian Heritage on Part VII, particularly section 41, of the OLA.

We are committed to serving Canadians and communicating with them in the official language of their choice, as well as fostering a work environment conducive to the use of both official languages in bilingual regions, in accordance with the OLA.

We also strive to ensure an equitable representation and equal opportunities for English-speaking and French-speaking Canadians, regardless of their ethnic origin, within our organization and to enhancing the vitality of English and French linguistic minority communities, supporting and assisting their development.

To comply with the OLA, we have policies, procedures, tools and monitoring mechanisms in place to enable customers and employees to exercise their rights with regards to official languages.

We report on the Official Languages Program in each annual Corporate Social Responsibility report.

6.11 Government Priorities and Direction

Canadian Postal Service Charter (Service Charter)

The Service Charter establishes the Government's expectations regarding our service standards and related activities in providing postal services that meet the needs of Canadians. These expectations are not intended to derogate, nor modify our obligations under the Act or any other legislation.

We note, in the above referenced letter, the Minister indicated that "Although the Review was not positioned as a review of the Canadian Postal Service Charter, the components of the Charter have been reviewed and assessed. None of the actions being taken change the expectations laid out in the Service Charter. In operationalizing the vision, Canada Post is expected to continue to meet the expectation laid out in the Service Charter."

As required by the Service Charter, we have reported our performance against each of its expectations in our 2017 Annual Report. We will do so throughout the period covered by this Plan.

Transparency and open government

We are committed to the principles of openness and transparency and we demonstrate our commitment in several ways, including the extensive information we proactively make available to the public. For example, each year we publish a comprehensive annual report about our business and financial performance, and detailed quarterly financial reports. The latter include interim financial results, risks and significant changes in relation to operations, personnel and programs, and interim condensed consolidated financial statements.

In addition to taking seriously our obligations to disclose information pursuant to the ATIA, we proactively publish on our official website information on business travel and hospitality expenses incurred by senior management and members of the Board of Directors.

Through our public disclosures, we are open and transparent with the public about our business and financial performance.

Gender-based analysis plus

Although gender-based analysis is not an analytical tool we use, we respect and support gender diversity and inclusion through other means under the auspices of our human rights, employment equity and multiculturalism and diversity initiatives. Although it is not a legislated requirement, we provide training (and reporting if applicable) on gender-related matters.

Indigenous Issues

As a Crown corporation, we have a legal obligation under the Principles respecting the Government of Canada's relationship with Indigenous peoples, to "act with honour, integrity, good faith, and fairness in all of its dealings with Indigenous peoples. The honour of the Crown gives rise to different legal duties in different circumstances, including fiduciary obligations and diligence. The overarching aim is to ensure that Indigenous peoples are treated with respect and as full partners in Confederation."

Where our actions could have an adverse effect on the Aboriginal rights or title of Indigenous Poeples of Canada, we must consult with the affected Indegenous community, and as appropriate, take steps to accommodate their rights and/or title. Consultation must take place prior to any decision to dispose of land and the decision maker makes the decision based on a strength of claim analysis and expert advice on whether our obligation has been met. Disposal of land includes sale or long term lease of land.

We have entered into business arrangements with Indegenous communities to work with them on a co-operative basis. For example, in the case of the sale of our former Vancouver Mail Processing Plant we made business arrangement with a First Nations community which enhanced the value of the site.

This year, for the first time, we attended the Assembly of First Nations' 39th Annual General Assembly in Vancouver, and engaged face-to-face with Indigenous leaders from across Canada. We took this important step of listening and learning from Indigenous leaders to hear what issues were important to them regarding our services.

Our human resources personnel in various regions across Canada communicate directly with organizations supporting employment of Indigenous peoples in an effort to improve understanding of both potential candidate needs and our work environment. In 2018, these included:

- The Atlantic region reached out to Mi'kmaq Native Friendship Centre in Halifax, NS to strengthen relationships and discuss potential educational events at Canada Post.
- The Quebec region has been building a relationship with Regroupement des centres d'amitié autochtones du Québec, to ultimately post and promote our employment opportunities in remote locations to Indigenous communities.
- The Prairie region attended the Community Futures Training Conference (a learning workshop specific to education on attraction and retention of First Nations employees).
- In Calgary, discussions were initiated with the Grande Prairie Friendship Center, Aboriginal Futures Career and Training Centre, and Corporate Cree Consulting.

We work with Indigenous Link (a direct communications service provider with outreach to 28,000 Indigenous Offices) and Equitek Employment Equity Solutions (a comprehensive diversity and inclusion outreach solutions provider) to promote job opportunities and our brand. To further promote our employment opportunities to Indigenous peoples, we participate in job fairs and career events across the country. We have participated in more than 20 events since 2017, to reach potential Indigenous candidates. These include:

- Aboriginal Peoples Training and Employment Commission/YMCA Nova Scotia Works Centers job fair in Cole Harbour NS (March 2018)
- Squamish Nation and Tsleil-Waututh First Nation job fair in North Vancouver, BC (May 2018)
- Community Futures Treaty Seven 11th Annual Employment Event and Career Fair in Calgary AB (May 2018)

We have complemented our outreach efforts with targeted promotion of employment opportunities in remote northern locations through various electronic and local print media, and engaged in national discussions with bargaining agents on workforce representation rates and recruitment of Indigenous peoples. Consultations included:

- Joint National Human Rights Advisory Committee meetings with the CUPW (meetings were held in 2017 and in April and May 2018).
- Sub-Committee on Hiring of Aboriginal Employees meeting with CUPW (meeting was held in September 2017).
- Joint National Human Rights Advisory Committee meetings with the PSAC/UPCE (meetings were held in January, March and May, 2018).

We recognize that employees understand the need for, and benefits of, employment equity are key to building a truly diverse, inclusive and equitable workplace. We therefore leverage every opportunity to raise employee awareness and celebrate the country's rich diversity by various means:

- We recognize National Indigenous Peoples Day annually on June 21, with special communications to employees and regional events - some showcasing Indigenous performance artists, craft makers and foods.
- We continue to recognize the hard work and determination of Indigenous students through the annual Canada Post Aboriginal Education Incentive Awards program (launched in 2004). In 2017, we presented 25 awards of $1,000 to students from across Canada who overcame personal, economic or social adversity in their pursuit of a higher education. A list of the 2017 award recipients is available at canadapost.ca under About Us > Community Investment > Canada Post Aboriginal Education Incentive Awards.

- As part of our 2017 Community Investment Program, the Canada Post Community Foundation for Children also provided financial support to numerous Canadian organizations involved in providing recreational, educational or social programs targeted toward the youth.

Sustainable Development

We recognize and respect the need to contribute to environmental sustainability, given the nature of our operations and network. Our progress in recent years has been on reducing greenhouse gas emissions primarily through the purchase and use of fuel-efficient delivery vehicles, and incorporating energy-efficient designs into our new and existing buildings.

The Government has made clear it expects federal institutions, including Canada Post, to become leaders in this regard. Canada Post is committed to implementing a corporate-wide approach to environmental sustainability and our leadership team has begun to make key decisions through this lens. We have initiated a collaborative and participatory process to establish an ambitious new Environmental Vision and Strategy with input from all stakeholders, including the Government of Canada and our unions, employees, customers and other stakeholders.

Once approved, this strategy will guide corporate-wide decisions and activities to align with the Government of Canada’s priorities and position Canada Post as an environmentally responsible corporation.

6.12 2014, 2015, 2016, 2017 Financial Results

Canada Post Corporation
Pro Forma Consolidated Statement of Financial Position

As at December 31 (in millions of Canadian dollars)	**2014 Actual**	**2015 Actual**	**2016 Actual**	**2017 Actual[1]**
Assets				
Current assets				
Cash and cash equivalents	677	775	849	1,503
Marketable securities	689	837	1,038	821
Trade and other receivables	795	790	829	946
Other assets	99	103	110	126
Total current assets	2,260	2,505	2,826	3,396
Non-current assets				
Property, plant and equipment	2,676	2,738	2,672	2,627
Intangible assets	117	107	117	119
Segregated securities	551	539	523	526
Pension benefit assets	141	157	135	116
Deferred tax assets	1,706	1,540	1,384	1,568
Goodwill	130	130	130	130
Other assets	3	4	5	7
Total non-current assets	5,324	5,215	4,966	5,093
Total assets	**7,584**	**7,720**	**7,792**	**8,489**
Liabilities and equity				
Current liabilities				
Trade and other payables	583	530	548	583
Salaries and benefits payable and related provisions	487	434	487	600
Provisions	71	65	70	77
Income tax payable	52	65	3	38
Deferred revenue	133	124	115	138
Loans and borrowings	22	76	22	13
Other long-term benefit liabilities	65	62	62	63
Total current liabilities	1,413	1,356	1,307	1,512
Non-current liabilities				
Loans and borrowings	1,112	1,059	1,037	1,025
Pension, other post-employment and other long-term benefit liabilities	7,037	6,398	5,726	6,297
Other liabilities	33	31	26	25
Total non-current liabilities	8,182	7,488	6,789	7,347
Total liabilities	9,595	8,844	8,096	8,859
Equity				
Contributed capital	1,155	1,155	1,155	1,155
Accumulated other comprehensive income	54	48	44	54
Accumulated deficit	(3,244)	(2,354)	(1,530)	(1,611)
Equity of Canada	(2,035)	(1,151)	(331)	(402)
Non-controlling interests	24	27	27	32
Total equity	(2,011)	(1,124)	(304)	(370)
Total liabilities and equity	**7,584**	**7,720**	**7,792**	**8,489**

Numbers may not add due to rounding.
1. 2017 financials restated to reflect IFRS 15 "Revenue from Contracts with Customers" (IFRS 15)

Canada Post Corporation
Pro Forma Consolidated Statement of Comprehensive Income

For the year ended December 31 (in millions of Canadian dollars)	**2014 Actual**	**2015 Actual**	**2016 Actual**	**2017 Actual[1]**
Revenue from operations	7,982	8,006	7,880	8,318
Cost of operations				
Labour	3,829	3,838	3,890	4,034
Employee benefits	1,247	1,452	1,414	1,456
	5,076	5,290	5,304	5,490
Other operating costs	2,279	2,232	2,120	2,292
Depreciation and amortization	328	315	307	305
Total cost of operations	7,683	7,837	7,731	8,087
Profit (loss) from operations	299	169	149	231
Investing and financing income (expense)				
Investment and other income	23	17	11	19
Financing costs and other expense	(53)	(50)	(46)	(46)
Investing and financing income (expense), net	(30)	(33)	(35)	(27)
Profit (loss) before tax	269	136	114	204
Tax expense (income)	71	37	33	56
Net profit (loss)	**198**	**99**	**81**	**148**
Other comprehensive income (loss)				
Items never reclassified to net profit (loss)	(1,879)	794	745	(203)
Items that may subsequently be reclassified to net profit (loss)	36	(6)	(4)	10
Other comprehensive income (loss)	(1,843)	788	741	(193)
Comprehensive income (loss)	**(1,645)**	**887**	**822**	**(45)**
Net profit (loss) attributable to				
Government of Canada	194	96	78	142
Non-controlling interests	4	3	3	6
	198	99	81	148
Comprehensive income (loss) attributable to				
Government of Canada	(1,644)	884	820	(51)
Non-controlling interests	(1)	3	2	6
	(1,645)	887	822	(45)

Numbers may not add due to rounding.

1. 2017 financials restated to reflect IFRS 15 "Revenue from Contracts with Customers" (IFRS 15)

Canada Post Corporation
Pro Forma Consolidated Statement of Cash Flows

For the year ended December 31 (in millions of Canadian dollars)	**2014 Actual**	**2015 Actual**	**2016 Actual**	**2017 Actual[1]**
Cash flows from operating activities				
Net profit (loss)	198	99	81	148
Adjustments to reconcile net profit (loss) to cash provided by operating activities:				
Depreciation and amortization	328	315	307	305
Pension, other post-employment and other long-term benefit expense	701	905	861	868
Pension, other post-employment and other long-term benefit payments	(524)	(505)	(518)	(547)
Gain (loss) on sale of capital assets and assets held for sale	(9)	(3)	4	3
Tax expense (income)	71	37	33	56
Net interest expense	35	36	30	22
Change in non-cash operating working capital:				
(Increase) decrease in trade and other receivables	(14)	7	(37)	(115)
Increase (decrease) in trade and other payables	(38)	(51)	17	35
Increase (decrease) in salaries and benefits payable and related provisions	(93)	(53)	53	114
Increase (decrease) in provisions	(9)	(6)	5	8
Net (increase) decrease in other non-cash operating working capital	(18)	(15)	(5)	(10)
Other income not affecting cash, net	(7)	(34)	(26)	(20)
Cash provided by (used in) operations before interest and tax	621	732	805	867
Interest received	35	37	35	43
Interest paid	(51)	(51)	(48)	(44)
Tax received (paid)	(13)	(123)	(195)	(118)
Cash provided by (used in) operating activities	592	595	597	748
Cash flows from investing activities				
Net cash inflow (outflow) of securities	(112)	(141)	(191)	227
Acquisition of capital assets	(264)	(352)	(253)	(299)
Proceeds from sale of capital assets	17	14	1	4
Cash provided by (used in) investing activities	(359)	(479)	(443)	(68)
Cash flows from financing activities				
Repayments of lease liabilities	(23)	(22)	(22)	(22)
Net cash inflow (outflow) of loans and borrowings	(0)	0	(55)	-
Dividend paid to non-controlling interests	(1)	-	(2)	(1)
Other financing activities, net	0	(0)	(1)	(1)
Cash provided by (used in) financing activities	(24)	(22)	(80)	(24)
Net increase (decrease) in cash and cash equivalents	**209**	**94**	**74**	**656**
Cash and cash equivalents, beginning of year	468	677	775	849
Effect of exchange rate changes on cash and cash equivalents		4	-	(2)
Cash and cash equivalents, end of year	**677**	**775**	**849**	**1,503**

Numbers may not add due to rounding.

1. 2017 financials restated to reflect IFRS 15 "Revenue from Contracts with Customers" (IFRS 15)

6.13 2016, 2017 and 2018 Planned Capital Budgets

Area of Responsibility		**2016 Capital Budget ($ millions)**	**2017 Capital Budget ($ millions)**	**2018 Capital Budget ($ millions)**
Growth	Initiatives to support e-commerce growth, grow business profitably, better serve our business customers, and engage consumers.	20	15	37
Network Capacity	Initiatives to address infrastructure capacity challenges due to parcel volume growth.		80	148
Business Improvement	Mobility computing and retail infrastructures, re-architecture of our delivery systems, and various operational improvements.	234	59	67
Business Continuity	Vehicles, street furniture, real estate, IT end of Life system upgrade (hardware/software), plant equipment upgrade and miscellaneous replenishment.	155	186	193
Canada Post segment		**409**	**340**	**445**