

## Key Performance Indicators

### FINANCIAL PERFORMANCE – THE CANADA POST GROUP



The Canada Post Group remained profitable in 2008, despite lower-than-plan revenues for the Canada Post segment. Consolidated income before income taxes amounted to \$161 million, exceeding plan by \$34 million, thanks to a strong financial performance by our Purolator Courier Ltd. and SCI Group Inc. subsidiaries.

Aggressive cost controls were key to achieving a narrow operating margin of 1.8%. Management must remain vigilant in 2009 to contain costs.

At \$22 million, the dividend that Canada Post paid to its Shareholder, the Government of Canada, was 54% lower than the dividend paid the previous year. Since 2005, Canada Post has been

unable to meet the financial objectives set out in the Multi-Year Policy Framework established in 1998, falling well below targets of \$175 million in earnings before interest and taxes, and an 11% return on equity.

Canada Post is relying on sound management controls, relevant products and services, and business improvements from much-needed investment in the Modern Post to ensure its sustainability for the future.

### DELIVERY SERVICE – CANADA POST SEGMENT



Our goal is to deliver on time, every time. To support this, we set corporate targets and measure performance for key services in each of our lines of business: Transaction Mail, Parcels and Direct Marketing.

Lettermail™ remains among the most reliable services in Canada. Our delivery standards require that we deliver Lettermail consistently within two business days within the same metropolitan area or community, within three business days within the same province, and within four business days between provinces.

In 2008, we met our corporate target of 96% on-time performance.

We did not meet our targets for Expedited Parcel, Xpresspost™ and Priority™ Next A.M. To address this, we are improving process capabilities and strengthening transportation links, building on the flexibility gained with our new domestic air partnership with our subsidiary, Purolator.

Concerted efforts to improve the delivery of Direct Marketing products were successful – we achieved our target for Addressed Admail™ and came close for Unaddressed Admail™.

Continuing on-time delivery is crucial to Canada Post's long-term success. We will continue to look for ways to further improve the quality of our delivery, and earn our customers' loyalty and their business.

## CUSTOMER VALUE INDEX – CANADA POST SEGMENT



Our Customer Value Management program identifies the drivers of customer value and loyalty through relationship surveys and transactional questionnaires. The relationship surveys explore our customers' mailing habits and practices, assess their loyalty to Canada Post, and capture feedback on our products and services, delivery, price, reputation and image as well as service culture. The transactional questionnaires ask customers about their recent experience with Canada Post, including our sales and customer service representatives, post offices, delivery personnel and our website. These techniques offer insight into the quality of our service, our

competitive advantage and areas needing improvement.

In 2008, our Direct Marketing line of business surpassed its target by three percentage points. Parcels also achieved its 2008 CVI target. Transaction Mail did not meet its target; however, its improvement objectives in product offering, product delivery, price competitiveness, reputation and image as well as service culture were achieved.

## EMPLOYEE ENGAGEMENT – CANADA POST SEGMENT



Employee engagement remains a top priority for Canada Post. Our goal is to be the best place to work in Canada, with every employee contributing to and sharing in our success. Increasing the engagement level of employees will improve the customer experience and provide a strong foundation for achieving our business results.

Our focus is on a workplace marked by respect and fairness, attentive to employee health and safety, and with employees who feel connected to our business. Our efforts appear to be having a positive effect. The participation rate in the 2008 annual employee survey increased by 33% over 2007. We improved or maintained our survey scores in the vast

majority of the categories and achieved our target of raising the Engagement Index to 56.

We also achieved our goal of reducing to 5% the rate of errors that occur in processing the pay of our employees.

Accident frequency remains an area of concern. The 7% reduction target was not achieved. We will be intensifying our efforts to improve safety both on and off our premises. Our President will be chairing a new Health and Safety Task Force to drive a higher degree of attention on accident reduction at Canada Post.

We remain committed to building a modern workplace characterized by high levels of employee engagement.