OUR JOURNEY TO BECOMING
CANADA’S #1
PARCEL COMPANY
Our $55M profit before tax in 2016* marks the third consecutive year of profit. Driven by a comprehensive transformation plan, we are outrunning historic declines in Lettermail™ volumes.

**KEY FACTORS:**

1. **PARCELS REVENUE**

   Before 2011, our Parcels business was flat. In 2011, after closely analyzing macro trends in retail, we chose to focus on becoming the leader in e-commerce delivery. Since then, we’ve become Canada’s No. 1 parcel company and grown annual Parcels revenue by well over half a billion dollars. We are now well positioned for long-term growth beyond 2017.

2. **TRANSFORMATIONAL INITIATIVES**

   Canadians’ needs for postal services have changed dramatically, and we’ve responded decisively. In 2016, earnings include approximately $440 million, which is the accumulated impact of major initiatives in recent years. They include a strategic price increase, improved productivity and more efficient delivery methods.

3. **DECLINE OF LETTERMAIL**

   Due to digital technology, every postal service is seeing a drastic decline in mail volumes. Volumes of Transaction Mail – the letters, bills and statements that grew for decades until 2006 – fell by 7.8 per cent in 2016 alone. That decline represents a revenue shortfall of $256 million based on the average revenue per piece in 2016.
## By the numbers
### Canada Post Group of Companies

<table>
<thead>
<tr>
<th>(in millions of dollars)</th>
<th>2016</th>
<th>2015</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Operations</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Revenue from operations</td>
<td>7,880</td>
<td>8,006</td>
<td>(1.6) %</td>
</tr>
<tr>
<td>Profit from operations</td>
<td>149</td>
<td>169</td>
<td>(12.0) %</td>
</tr>
<tr>
<td>Operating margin (%)</td>
<td>1.9 %</td>
<td>2.1 %</td>
<td></td>
</tr>
<tr>
<td>Investing and financing income (expense)¹</td>
<td>(35)</td>
<td>(33)</td>
<td>(5.8) %</td>
</tr>
<tr>
<td>Profit before tax</td>
<td>114</td>
<td>136</td>
<td>(16.3) %</td>
</tr>
<tr>
<td>Net profit</td>
<td>81</td>
<td>99</td>
<td>(18.1) %</td>
</tr>
<tr>
<td>Cash provided by operating activities</td>
<td>597</td>
<td>595</td>
<td>0.2 %</td>
</tr>
<tr>
<td>Cash used in capital expenditures</td>
<td>(253)</td>
<td>(352)</td>
<td>27.9 %</td>
</tr>
<tr>
<td><strong>Financial position</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>849</td>
<td>775</td>
<td>9.5 %</td>
</tr>
<tr>
<td>Total assets</td>
<td>7,792</td>
<td>7,720</td>
<td>0.9 %</td>
</tr>
<tr>
<td>Loans and borrowings</td>
<td>1,059</td>
<td>1,135</td>
<td>(6.7) %</td>
</tr>
<tr>
<td>Equity of Canada</td>
<td>(331)</td>
<td>(1,151)</td>
<td>71.3 %</td>
</tr>
<tr>
<td><strong>Volume</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total volume – Consolidated (in millions)</td>
<td>8,371</td>
<td>8,903</td>
<td>(6.0) %</td>
</tr>
<tr>
<td>Domestic Parcels growth (Canada Post segment)</td>
<td>9.0 %</td>
<td>13.5 %</td>
<td></td>
</tr>
<tr>
<td>Parcels growth (Canada Post segment)</td>
<td>7.7 %</td>
<td>9.7 %</td>
<td></td>
</tr>
<tr>
<td>Direct Marketing (Canada Post segment)</td>
<td>(5.3) %</td>
<td>0.2 %</td>
<td></td>
</tr>
<tr>
<td>Domestic Lettermail erosion (Canada Post segment)</td>
<td>(7.6) %</td>
<td>(5.2) %</td>
<td></td>
</tr>
<tr>
<td>Transaction Mail erosion (Canada Post segment)</td>
<td>(7.8) %</td>
<td>(6.1) %</td>
<td></td>
</tr>
<tr>
<td>Transaction Mail volume decline per address</td>
<td>(8.8) %</td>
<td>(6.8) %</td>
<td></td>
</tr>
<tr>
<td><strong>Canada Post Corporation Registered Pension Plan</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pension assets – Fair market value</td>
<td>23,150</td>
<td>21,968</td>
<td>5.4 %</td>
</tr>
<tr>
<td>Going-concern surplus – To be funded²</td>
<td>1,767</td>
<td>1,246</td>
<td>41.8 %</td>
</tr>
<tr>
<td>Solvency deficit – To be funded²</td>
<td>(6,745)</td>
<td>(6,269)</td>
<td>(7.6) %</td>
</tr>
<tr>
<td>Employer contributions – Current</td>
<td>241</td>
<td>243</td>
<td>(1.1) %</td>
</tr>
<tr>
<td>Employer contributions – Special</td>
<td>35</td>
<td>35</td>
<td>(1.8) %</td>
</tr>
</tbody>
</table>

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1. Includes (loss) gain on sale of capital assets and assets held for sale.
2. Number for 2016 is an estimate. Actuarial valuations for the Plan will be filed by June 30, 2017. For more details, refer to Section 6.5 of the Management’s Discussion and Analysis on page 55.
References in the Annual Report to Canada Post and the Canada Post segment do not include subsidiaries. The Canada Post Group of Companies and the Group of Companies include the Canada Post segment and its subsidiaries, which are Purolator Holdings Ltd., SCI Group Inc. and Innovapost Inc.

* The 2012 comparative figures were restated as a result of the adoption of new or revised International Financial Reporting Standards (IFRS) in 2013, as issued by the International Accounting Standards Board (IASB).
Digital technology has disrupted many industries – but we have reinvented our company to play a new role in the lives of Canadians.

HOW DID WE DO IT?

- We **pivoted our operations** to meet Canadians’ changing needs.
- We gained competitive advantage through **innovation**.
- We **partnered with Canadian retail** from the beginning.
- We focused on **customer experience**.
President’s message

Long before Canadians embraced online shopping, Canada Post was busy building the essential foundation necessary for Canadian retailers to reinvent their businesses and embrace a digital future. A journey that we began at the start of the decade ushered in a new era of convenience for Canadian shoppers.

By meeting the needs of some of the most innovative retailers on the planet, we have emerged as Canada’s No. 1 parcel company. This is a tribute to our employees, who are enabling the digital economy for retailers and shoppers alike.

There is a quiet revolution taking place at Canada Post. The daily ritual of our letter carriers walking a neighbourhood is now performed in a compact delivery truck. These trucks carry fewer letters, about 1.8 billion fewer than they did in 2006, but a lot more of your online purchases (clothes, shoes, Christmas gifts, back-to-school shopping, tools, gadgets and more) as well as seasonal catalogues and offers.

Transforming a company from a decades-old letter-centric business to a revolutionary customer-driven e-commerce powerhouse has been both challenging and rewarding. It is a remarkable tribute to our employees that they have carried out this revolution so seamlessly that Canadians (91 per cent) and businesses (83 per cent) are highly satisfied with Canada Post’s services.

In a world where you are either disrupting or being disrupted, there is no room to sit still. Few companies faced with digital disruption have reinvented themselves – but Canada Post has, in just a few years. We have grown annual Parcels revenue by over half a billion dollars since 2011. This success was neither certain nor easy. Every aspect of our business needed to be rewired: from operational processes to full integration of shipping rates and tracking data with customers’ check-out processes; from working with innovative start-ups to helping mega brands introduce online stores; from launching drive-thru parcel pickups to introducing flexible delivery solutions for Canadians who are not home during the day to receive their packages.

At the heart of this transformation are our employees who not only embraced
this change but also became passionate advocates of our new brand promise, Delivering the Online World™.

Despite constant pressure to find efficiencies in our operations due to the unrelenting decline in Lettermail volumes, we have stayed true to our mission of serving each and every Canadian. Residents of the far north and isolated rural areas remain as critical for us as any downtown Vancouver or Toronto address. We have re-emerged as the vital bridge between Canada’s remote, often cut-off communities and the rest of the world. They now have access to products from around the world, including dry groceries and medical supplies, which we proudly deliver to them coast to coast to coast.

We have worked hard to stick to our core competencies, avoiding the perils of diversifying into areas we know little about. It is this conviction about reinventing our role in the digital economy that has earned us success when few believed we could succeed.

Much work still lies ahead. Our challenges are serious but not insurmountable. We have developed new skills, new leadership talents, new energy and new ways to overcome adversity.

While much has changed over the past 150 years, the sight of a Canada Post letter carrier in uniform has been and still is a constant reminder to Canadians that we connect them with the world. As we celebrate Canada’s 150th birthday, we walk into the future with a new sense of purpose, which is to continue to reinvent our business to serve the ever-changing needs of Canadians – one address at a time.

Deepak Chopra
President and Chief Executive Officer
2016 was a year like no other for Canada Post. We solidified our position as Canada’s No. 1 parcel company. We shattered every parcel delivery record over the peak holiday season, when millions of Canadians – and the retail industry – were counting on us to deliver Christmas. We innovated to offer more convenience to busy Canadians – and to integrate closely and partner with retailers.

Our growth strategy is all about helping Canadian businesses grow through e-commerce. It’s working out for them – and for us.

A GAME-CHANGING YEAR

2 IN 2012
34 IN 2016

On December 13, 2012, we delivered one million parcels on a single day for the first time in our history. We did it twice that year. In 2016, we did it 34 times.

During our peak holiday season, we delivered one million parcels on an unprecedented 20 consecutive business days – from Cyber Monday to the day before Christmas Eve.

On December 5, 2016, we hit an all-time record for parcel deliveries in a day. That’s the equivalent of delivering about 3,620 parcels per minute.
FOR CANADA POST

Our Domestic Parcels volume grew by 9 per cent and our total Parcels volume grew by 7.7 per cent compared to 2015. This strong growth reflects our success as an e-commerce leader.

Eight out of 10 Canadians shop online and they’re buying more items more often each year. Canada Post delivers nearly two of every three parcels they order.

Canada Post is the only company that delivers to every Canadian address – and these addresses also grow in number every year. In 2016, the number of addresses surpassed the 16 million mark.

Reality: More Canadians live in a multi-unit building every year. Response: we’re innovating. We now deliver parcels to nearly 1 million Canadians via a secure Canada Post parcel locker in the lobby of their apartment or condominium building.

We’ve partnered with 5,500 retailers to integrate our Web Services software in their online stores. Right at the checkout, shoppers see the information they want about estimated delivery times and more.
We **pivoted our operations** to meet Canadians’ changing needs

After identifying e-commerce as our major growth opportunity, we went to work, pivoting our operations to make them more parcel-centric and customer-focused.

With new technology, such as automated processing equipment and hand-held scanning devices, we can move far more parcels through our network, while providing better tracking to customers. Working with customers and employees, we fine-tuned how, when and where their parcels enter our network. Our extended cut-off times and new network links better meet their needs.

Investments in automated equipment have increased capacity, improved productivity and reduced per-piece processing costs. Our employees can now process more parcels more quickly at a lower cost.

Our old cut-off times – the deadlines within our network – were built for letters. New, later cut-off times allow retailers to fulfill more orders placed that day – and for us to delight more customers with prompt delivery.

New hand-held computers upload scan information to [canadapost.ca](http://canadapost.ca) and our mobile app in real time, allowing senders and receivers to follow their parcels’ journeys more closely than ever.
We gained competitive advantage through **innovation**

Canadians love how easy online shopping is. Creating innovations that maximize convenience for them is a priority for us. Our concept stores in Richmond Hill, Ont., Edmonton and Vancouver do just that. Two have popular drive-thru service for parcel pickup – which was a first of its kind for a post office in North America. All three locations allow for self-serve shipping of parcels.

With their new features, and evening and weekend hours, the stores take convenience and the customer experience to a unique level in the marketplace – as does our same-day service, Delivered Tonight.

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**Parcel drive-thru**

Customers in Richmond Hill and Edmonton can collect their parcels without leaving the car. At the welcome window, they scan their item’s barcode from their smartphone or paper pickup notice, then drive to the pickup window.

**24/7 self-serve features**

New stores test consumer use of new technology. At this kiosk, customers can ship parcels by printing their own shipping labels, scanning the barcode and placing the parcel in the drop box. Stamps can also be printed on demand. Vending machines let customers buy supplies, such as prepaid envelopes, and collectibles.

**Delivered Tonight**

Customers can receive their online purchases the day they order them. This same-day delivery service is available through select retailers to shoppers in the Greater Toronto Area and Montréal.
We partnered with Canadian retail from the beginning

Early on, we realized that we could not reinvent Canada Post on our own. For us to succeed in a digital economy, we would need Canadian retailers to succeed. So we joined forces.

Today, we continue to work alongside e-commerce solutions providers, retailers and the country’s leading entrepreneurs – the visionaries of innovation. Our efforts have enabled retailers of any size to provide their customers with a more convenient delivery, shipping and returns experience. We’ve strengthened their ability to compete – and ours.

In 2012, we created the annual Canada Post E-commerce Innovation Awards™ to support the growth of the country’s leading online retailers. We are proud to have recognized and rewarded the efforts of more than 30 businesses, from retail giants to start-ups.
We have learned that successful e-commerce is all about the customer experience – and we know from our research that parcel delivery plays a key role. When it comes to the delivery of their online orders, Canadians have shown a clear preference for choice, convenience and control.

As a result, we have created a suite of customer-centric delivery services that enable any retailer to meet and exceed the expectations of their savviest shoppers, regardless of where they live in Canada.

**FlexDelivery**

Consumers who aren’t home during the day, are travelling or want to keep gifts a secret can use FlexDelivery™ to have their online shopping orders delivered to a post office of their choice. This innovative service is free – and with more than 6,200 post offices in Canada, one is always nearby.

**App enhancements**

We’ve added some great customer-friendly features to our mobile app. Push notifications (for tracking packages) inform shoppers of their online order’s delivery progress. The app also displays a delivery notice card, allowing them to pick up their parcel immediately from the post office.

**Parcel lockers**

We are installing more parcel lockers in condos and apartments so residents have a dedicated and secure place to receive their online orders. The result? Parcel volumes from online shopping are growing at a faster pace in the buildings with parcel lockers than in other Canadian households.
We still face significant challenges

Digital has disrupted countless industries

Newspapers, magazines and books. Music, movies and television. Retail, travel, banking, hotels and taxis. All these industries have been disrupted by digital technology to varying degrees. Some have adjusted their business models and proven resilient. Others are scrambling for answers.

Digital has disrupted Canada Post, too

Our traditional core product (paper letters, bills and statements) declines steadily every year as more transactions go digital.

1 Declining mail volumes
Delivering less mail to more addresses every year is no formula for success. Canadians mailed 1.8 billion fewer pieces of Domestic Lettermail in 2016 than they did in 2006. The ongoing decline is irreversible.

2 Pension solvency deficit
Our pension funding obligation puts substantial pressure on our finances. To be sustainable, our pension plan needs a solution beyond the relief from special payments to reduce the solvency deficit.

3 Labour costs
Labour represents about 70 per cent of our costs – a much higher ratio than our major competitors’ in parcel delivery. We must continue to realign our labour costs to our changing business.

4 Network capacity
We’ve been driving efficiencies and reducing costs in our complex and integrated network for decades – and now, we must invest in network capacity to keep up with growing parcel volumes.
Serious challenges demand a serious response

We’ve taken bold steps in order to preserve the postal service for Canadians. Key examples include:

- Growing Parcels revenue by $521 million since 2011.
- Adopting strategic initiatives that have delivered savings worth hundreds of millions of dollars a year, such as increased efficiency in plants, delivery and retail, as well as tiered pricing.
- Addressing labour costs by negotiating competitive wages for new hires and changes to sick leave, health plans and weekend delivery with unions. We also changed pension, sick leave and health plans for management, and reduced their ranks over several years.

Our challenges are structural and significant – but they can be solved.
In 2016, Canada Post successfully market-tested an innovative new Smartmail Marketing™ solution, called Postal Code Targeting. Launched early in 2017, it allows marketers to target prospects who most closely resemble their best customers – right at the postal code level.

By unlocking the power of the postal code, we’re giving marketers the level of precision they have been asking for, helping them get the most out of their marketing as they drive customer acquisition. This level of data-driven targeting empowers marketers to use their own data or select their mailing’s postal codes by demographic criteria such as income, education, age, location, family composition, interests or lifestyle, or even online shopping behaviours.

Postal Code Targeting is one of three great choices, described below, that help marketers attract and retain customers.

**CANADA POST NEIGHBOURHOOD MAIL™**

ONE TO MANY

Marketers with a broadly defined target can mail by neighbourhood, which consists of the routes that our delivery agents serve. Each route has an average of 500 addresses.

**POSTAL CODE TARGETING**

ONE TO FEW

Marketers already gather audience information by postal code. On average, a postal code has about 20 addresses. The wealth of information available allows for exact targeting and tailored messaging.

**CANADA POST PERSONALIZED MAIL™**

ONE TO ONE

Speaking to a single customer by name is an effective way to create greater loyalty and drive better engagement and results. It’s perfect for existing relationships with customers or donors.
Using data smartly to drive results

Various kinds of businesses tested Postal Code Targeting with great success in 2016 – but they all used data strategically to drive results. Financial institutions, for example, achieved strong results for credit card offers by applying demographics similar to the profile of their current customers. Not-for-profit organizations benefited from targeting potential donors in areas where they have lower support. Retailers used insights about similar customers to focus their messaging and offers around life events, such as back-to-school shopping.
Our employees

Stepping up to the challenge

We could not have become Canada’s No. 1 parcel company without the dedication, customer focus and hard work of thousands of employees.

Over the Christmas holiday period, their hard work helped us break every parcel delivery record. They worked evenings, on weekends and in brutal weather in much of the country to help merchants in their most critical season, and ensure gifts arrived in Canadians’ homes on time. Even as parcel volumes increased, we maintained or improved parcel service performance.

Our employees are keenly aware that millions of Canadians count on them year-round. They know that the parcels and marketing mail they process and deliver help Canadian businesses, large and small, succeed. Every day, across Canada, our brand benefits from the pride that tens of thousands of employees display.

Vicki McHarg is proud to deliver to residents in East Saint John, N.B. The nine-year employee considers herself an ambassador helping people. “I see people every day,” she says. “I love my job.”
Service performance by the numbers

Canada Post continues to provide reliable, competitive service – thanks to employees throughout the network who are focused on the customer experience.

- We set a new record for International Outbound Parcels on-time delivery performance.
- We achieved our International Inbound Parcels on-time delivery performance, exceeding our target for 2016.
- Parcel delivery scanning performance continued to be excellent, ensuring customers can track their package’s delivery status.
- We exceeded our combined target for on-time delivery performance of our Personalized Mail and Neighbourhood Mail services, setting a new record level of performance.
- Lettermail service performance reached 94.3 per cent.

Safety first

We promote a culture of safety through leadership, prevention and training. Over the past three years, we’ve reduced lost-time injury frequency\(^1\) by more than 14 per cent, continuing a decades-long positive trend. In 2016, lost-time injury frequency rose slightly for the first time in eight years although our total injury frequency\(^2\) continued to improve. Slips, trips and falls – the leading cause of injuries – remain a major focus.

1. Lost-time injury frequency includes any injury that results in a full day’s absence after the day of the injury.
2. Total injury frequency includes all injuries whether or not they led to an absence from work.

Postal clerk Izaaz Khan sorting at the Pacific Processing Centre.
Oh Canada!

Sharing Canada’s stories

Our stamps celebrate and promote our heroes and heritage, and our traditions and achievements. They tell Canada’s story.

In 2016, we honoured hockey heroes with our NHL® Great Canadian Forwards stamps. We celebrated actors whose roles on a cult-like television series made them personalities. We marked the Lunar New Year and we remembered the women who won the right to vote.

These were only a few of the stories we told. In a country as remarkable as ours, there are always more to tell.

Chairperson of the Board of Directors Siân Matthews and President and CEO Deepak Chopra join our hockey heroes at a September 23 stamp unveiling at the Hockey Hall of Fame in Toronto. From left: Phil Esposito, Darryl Sittler, Ms. Matthews, Steve Yzerman, Mark Messier, Guy Lafleur and Mr. Chopra. Sidney Crosby, the only active player in the stamp issue, could not attend.

Three of the five characters featured in our Star Trek™ 50th anniversary stamps were played by Canadian actors. William Shatner, James Doohan and John Colicos played Captain Kirk, “Scotty” and Klingon Commander Kor, respectively.

We celebrated the Year of the Monkey in the eighth stamp issue of our 12-year Lunar New Year series.
Enriching our communities

In 2016, the Canada Post Community Foundation for Children contributed almost $1.2 million in grant support to 125 different community organizations across the country. It also raised $1.1 million for grants in 2017.

The Foundation funds breakfast and early literacy programs, anti-bullying initiatives, crisis lines and more. In the last four years, it has granted approximately $5 million to more than 440 community projects.

Funds are raised through an in-store campaign, sales of a special fundraising stamp and employee support, including a-dime-a-day program.

Giving Santa a helping hand

Over three-and-a-half decades, the Canada Post Letter-writing Program has touched millions of children. We know this because the letters we receive speak to the letters we write.

Canadians have written in droves to laud the very special people who make the program possible. Each letter of thanks is a welcome gift of gratitude.

In 2016, about 6,500 of our employees and retirees volunteered about 270,000 hours to reply to a record 1.6 million letters. It’s a labour of love – as the appreciative notes we get from parents attest.

“Please know that we appreciate that you volunteer your time to keep the magic alive!”

“You have no idea how much joy that brings each family.”

“I am very grateful for all your time and words that inspire hope and faith and Christmas spirit in all of our children.”
The Board of Directors ensures that Canada Post meets Canadians’ needs for postal service while remaining financially self-sustaining. It acts in the best interest of the Corporation, its employees and Canadians.

In 2016, Canada Post’s e-commerce strategy and its market leadership lifted its Parcels businesses to new heights. It was exciting to see the several delivery records that Canada Post and its employees achieved in 2016 – such as the 34 days on which they delivered one million or more parcels. Most importantly, growing volumes and revenue in Parcels helped to make our 2016 financial results positive. This outcome again confirms the wisdom of the senior management’s choice to focus on growing through e-commerce.

It is quite remarkable for a company to grow revenue by more than half a billion dollars in five years, as Canada Post has done in Parcels. The Board is proud to have helped Canada Post to seize the growth opportunity in e-commerce with solid strategies and with determination.

For the past few years, the Board has helped senior leaders assess Canada Post’s strategic options, then adopt and craft the appropriate strategies. Those strategies involved both the pursuit of growth and, of necessity, a clear focus on greater efficiency, productivity and cost-competitiveness. Given the relentless decline of mail volumes, Canada Post would not have posted a profit in 2016 or, for that matter, in 2015, if not for the ongoing, significant and positive impact of its transformational initiatives.

Given Canada Post’s mandate to be financially self-sustaining, the Board continued to closely monitor the Corporation’s efforts to grow in Parcels, to sustain the Direct Marketing business, and to manage the consequences of the inevitable decline in mail.

The Board and I are grateful for and proud of employees’ hard work on behalf of all Canadians. As we look to the future, we are confident that Canada Post has the leadership and ability it needs to remain strong, address its challenges and provide Canadian consumers, businesses and other organizations with a superior customer experience.

Siân M. Matthews
Chairperson of the Board of Directors
Board of Directors

Siân M. Matthews  ●  ●  ●
Heritage Pointe, Alberta
Chairperson of the Board of Directors
Canada Post Corporation

Deepak Chopra
Ottawa, Ontario
President and Chief Executive Officer
Canada Post Corporation

Thomas Cryer  ●  ●
FCPA, FCA
Rосseau, Ontario

Michèle Desjardins  ●  ●
Montréal, Quebec

A. Michel Lavigne  ●  ●
FCPA, FCA
Laval, Quebec

Andrew B. Paterson  ●  ●
Winnipeg, Manitoba

Alain Sans Cartier  ●  ●
L’Ancienne-Lorette, Quebec

William H. Sheffield  ●  ●
Toronto, Ontario

Sharon Sparkes  ●  ●
CPA, CA
St. John’s, Newfoundland and Labrador

Donald Woodley  ●  ●
 Mono, Ontario

- Chairperson of the Audit Committee
- Chairperson of the Corporate Governance and Nominating Committee
- Chairperson of the Human Resources and Compensation Committee
- Chairperson of the Pension Committee
- Member of the Audit Committee
- Member of the Corporate Governance and Nominating Committee
- Member of the Human Resources and Compensation Committee
- Member of the Pension Committee

One seat on the Board of Directors is currently vacant.

As of March 23, 2017

Officers of the Corporation

Deepak Chopra
President and Chief Executive Officer

Senior vice-presidents
Wayne Cheeseman
Chief Financial Officer

Doug Ettinger
Chief Commercial Officer

Scott G. McDonald
Chief Human Resources Officer

Mary Traversy
Chief Operating Officer

André Turgeon
Chief Information Technology Officer

René Desmarais
Parcels

Leonard (Len) Diplock
Strategy and Corporate Marketing

John B. West
General Counsel and Corporate Secretary

Vice-presidents
Manon Fortin
Operations Integration

Douglas Greaves
Pension Fund and Chief Investment Officer

William (Bill) Gunton
Marketing and Commercial Products

Ann Therese MacEachern
Human Resources

Barbara MacKenzie
Finance and Comptroller

Susan Margles
Government Relations and Policy

Serge Pitre
Sales

Jo-Anne Polak
Communications and Public Affairs

Brian Wilson
Operations

Kaval Pannu Corporate Auditor
Steven Gałęzowski Corporate Treasurer

As of March 23, 2017
Corporate governance

The Board’s role is supported by Canada Post’s statutory framework, bylaws and Board Charter. The Board provides oversight and guidance on behalf of Canada Post’s shareholder, the Government of Canada, on the strategies, business plans and related affairs of Canada Post.

In carrying out its oversight role, the Board of Directors holds management accountable for its business performance and strategic objectives. To fulfill these responsibilities the Board exercises due diligence over

- strategic initiatives and corporate plans
- service and operational performance
- internal control and financial reporting
- major contracts and investments
- recruitment of senior officers
- health and safety, labour and compensation management
- effective reporting to the shareholder.

The Board of Directors is composed of 11 members, including the President and Chief Executive Officer, all of whom are Governor-in-Council appointees. As of March 23, 2017, one seat is temporarily vacant. As overseer of an approximately $7.9 billion commercial enterprise, the Board brings strong business judgment and expertise to the stewardship of Canada Post.

To provide oversight for such a large and complex organization, directors normally devote 25 to 30 days a year to Board work. In 2016, the Board met nine times and its committees met a total of 18 times.

Gender diversity on the Board

Canada Post recognizes the relationship between gender diversity and corporate performance. Working with the shareholder, the Board ensures that highly qualified female candidates are identified for any vacant positions. It works closely with the office of the Minister of Public Services and Procurement to recommend potential candidates who will provide the skills needed by the Board and also address its commitment to diversity. The Board currently has a female membership of 30 per cent, including the Chairperson. It is focused on growing this number as it identifies new candidates in 2017.

Employee diversity is a business imperative in today’s world. The Board has established an Equality in Employment policy for the Corporation and regularly reviews its performance in this area.

Independence of the Board

The positions of the Chairperson and of the President and Chief Executive Officer are separate. The Board holds its regular meetings with the President and Chief Executive Officer as a member and with the Chief Financial Officer as an invitee. Otherwise, the Board meets without the presence of management, unless required for presentations or reports. The Board holds in-camera sessions with outside directors only. The Audit Committee meets in camera with external and internal auditors. The Board engages independent counsel and advisers as it deems necessary.
Committees of the Board
Oversight is accomplished under the auspices of the Audit Committee, the Corporate Governance and Nominating Committee, the Human Resources and Compensation Committee, and the Pension Committee.

Board effectiveness
The Board regularly assesses its effectiveness through a self-assessment survey. It has set criteria for desired skills and attributes used to identify potential gaps in succession. Board remuneration complies with guidelines issued by the Privy Council Office.

Subsidiaries
Alignment and oversight of Canada Post’s subsidiaries ensure consistent governance practices in companies in which Canada Post holds a majority interest.

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

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

Ombudsman’s report
The Office of the Ombudsman is independent of Canada Post staff and management, and reports directly to the Chairperson of the Board of Directors. It ensures Canadians have one more avenue if they feel Canada Post has not lived up to its service commitments. It helps to maintain customer trust by investigating customer complaints and recommending fair and equitable solutions. By identifying trends, focusing on prevention and recommending changes where warranted, it provides Canada Post with yet another perspective to improve service.

In 2016, the Office received 5,943 appeals, compared to 6,092 in 2015. Of the 2,550 cases we investigated, 53 per cent resulted in corrective action to resolve issues. In the remaining cases, our investigation supported Canada Post’s actions. In comparison, corrective action was needed in 48 per cent of the 2,847 cases we investigated in 2015.

More than half the appeals did not result in an investigation because customers reached out to the Office before giving Canada Post time to complete its review.

The number of appeals related to the Canadian Postal Service Charter rose by 538. The increase reflects growth in the parcel business, and an issue in accessing Canada Post’s service department during a transition in providers early in the year. It was soon rectified.

The Office of the Ombudsman’s Annual Report will be available at canadapost.ca/ombudsman.
The Canadian Postal Service Charter ensures that postal services remain universal, affordable, reliable, convenient, secure and responsive to Canada Post’s customers. Our compliance to the Charter for 2016 is presented in blue italics after each clause.

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

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

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

All 16 million Canadian residential and business addresses were served, and international inbound and outbound services were provided to 192 countries.

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

More than 7,500 rural and suburban delivery routes served approximately 4.7 million addresses. Of the approximately 6,200 postal outlets located across Canada, more than half are in rural areas.

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

The postage rates charged for letters of similar size and weight to Canadian addresses were uniform, regardless of distance.

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

Canada Post’s basic letter rate of $0.85 provides excellent value for a reasonable price to consumers and small business.

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

In light of the government review of Canada Post, there were no proposed changes to regulated postage rates in 2016.
Frequent and reliable delivery

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

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

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

Canada Post delivered to every address in Canada. A breakdown of delivery methods is in the chart on page 25.

8. Canada Post will deliver letter mail:
   – Within a community within two business days;
   – Within a province within three business days; and
   – Between provinces within four business days.

In 2016, the on-time service performance for Domestic Lettermail delivery was 94.3 per cent.

Convenient access to postal services

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

In addition to approximately 6,200 full service postal outlets and thousands of places to buy stamps, Canada Post offered 24/7 access to canada.post.ca for online services, such as tracking a package, registering a change of address and purchasing postage.

Canada Post also provided approximately 227,000 collection points where postal items could be deposited (and approximately 708,000 rural mailboxes, which are also collection points).

10. Canada Post will provide retail postal outlets, including both corporate post offices and private dealer operated outlets which are conveniently located and operated, so that:
   – 98 per cent of consumers will have a postal outlet within 15 km;
   – 88 per cent of consumers will have a postal outlet within 5 km; and
   – 78 per cent of consumers will have a postal outlet within 2.5 km.

In 2016, 98.8 per cent of Canadians lived within 15 km of a postal outlet, 90.6 per cent within 5 km, and 79.3 per cent within 2.5 km.

Continued on page 24
11. The moratorium on the closure of rural post offices is maintained. Situations affecting Canada Post personnel (e.g., retirement, illness, death, etc.) or Canada Post infrastructure (e.g., fire or termination of lease, etc.) may, nevertheless, affect the ongoing operation of a post office. In 2016, personnel or infrastructure issues affected 100 post offices covered by the moratorium. In 27 cases, retail services to the community were maintained through staffing of vacancies and in seven cases retail services were provided in a neighbouring community. Remaining cases are undergoing staffing actions or being reviewed through further community consultation. In all cases, delivery services for the community were maintained without disruption.

Secure delivery

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

The Security and Investigation Services group conducts its operations in accordance with the Canada Post Corporation Act and other regulatory and legislative authorities. Canada Post Corporation is subject to the Privacy Act.

Community outreach and consultation

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

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

14. At least one month before deciding to permanently close, move or amalgamate corporate post offices, Canada Post will meet with affected customers and communities to jointly explore options and find practical solutions that address customer concerns. In 2016, three urban corporate post offices came under review. Affected customers and communities were notified and consulted at least one month in advance of any proposed change.

15. Each year, Canada Post will hold an Annual Public Meeting open to the public to provide an opportunity for the public to express views, ask questions and provide feedback to Canada Post. Canada Post held its 11th Annual Public Meeting August 19, 2016, in Ottawa at Canada Post Place.

Responding to complaints

16. Canada Post will establish and promulgate complaint resolution processes that are easily accessible to customers and will address complaints in a fair, respectful and timely manner. In 2016, Customer Service received 3.7 million customer calls and over 738,000 electronic customer inquiries through email, fax and online service tickets. These interactions related to questions, requests, problems and complaints.

17. The Canada Post Ombudsman will investigate complaints about compliance with the Canadian Postal Service Charter in situations where customers remain unsatisfied after they have exhausted Canada Post’s complaint resolution processes. The Ombudsman is the final appeal authority in complaints resolution at Canada Post. More information can be found on the Office of the Ombudsman’s website at canadapost.ca/ombudsman.
Reporting on performance

18. Each year in its Annual Report, Canada Post will report on its performance against each of the expectations in this Canadian Postal Service Charter.

19. In addition, Canada Post will present in its Annual Report an overview of the delivery methods it uses, indicating the number of addresses served with each delivery method and the financial costs associated with each method of delivery.

See the table above.

Reviewing the Charter

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

Other public policy programs

**Government mail and materials for the blind**

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

The Act also provides for free mailing of materials for the blind. Visually impaired Canadians and many libraries across the country, including that of the Canadian National Institute for the Blind, send talking books and other materials free of charge across Canada and around the world.

Canada Post received a government appropriation of $22 million in 2016 to help offset the financial impact of these programs on the Corporation.

**Library materials**

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

**Environment policy**

Canada Post is committed to environmental protection in its operations. Canada Post has determined in accordance with sections 66 and 67 of the Canadian Environmental Assessment Act, 2012 that, to the best of its knowledge, during 2016 its projects were not likely to cause significant adverse environmental effects.
### Our size and scope

<table>
<thead>
<tr>
<th>EMPLOYEES</th>
<th>FLEET</th>
<th>ADDRESSES SERVED</th>
</tr>
</thead>
<tbody>
<tr>
<td>Close to 64,000 employees</td>
<td>Almost 13,000 vehicles</td>
<td>Residential 15 million, Businesses 1 million</td>
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*Canada Post Group of Companies, full-time and part-time paid employees, excluding temporary, casual and term employees (approximate figure)*

<table>
<thead>
<tr>
<th>RETAIL POST OFFICES</th>
<th>PIECES DELIVERED</th>
<th>DELIVERY METHOD</th>
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<tbody>
<tr>
<td>More than 6,200 post offices across Canada</td>
<td>8.4 billion pieces of mail, parcels and messages</td>
<td>Door to door 4.2 million, Centralized or rural 11.8 million</td>
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</tbody>
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*Group of Companies*

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<thead>
<tr>
<th>ITEM TRACKING</th>
<th>CANADAPOST.CA</th>
<th>PLANTS AND DEPOTS</th>
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<tr>
<td>More than 390 million online tracking events (61 per cent on the mobile app)</td>
<td>200 million visits to canadapost.ca in 2016 (includes visits to epost.ca)</td>
<td>21 processing plants, 485 letter carrier depots</td>
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