

2022 Task Force on Climate-related Financial Disclosures

Canada Post Corporation



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Introduction



About Canada Post

Canada Post is Canada's postal administration, and its core services include delivery of letters, bills, statements, invoices, parcels, direct marketing products and periodicals. It operates the largest retail network in Canada and is the only delivery company to serve all the country's 17 million addresses in urban, rural and remote locations. In 2022, we delivered 6.6 billion pieces of mail, parcels and messages. Our transformation plan – our commitment to Canadians – is anchored by three pillars: providing a service all Canadians can count on, social and environmental leadership, and doing right by our people.

About this report

We recognize the important work of the Financial Stability Board's Task Force on Climate-related Financial Disclosures (TCFD) to establish a framework for companies to develop voluntary and consistent climate-related disclosures. In its 2021 federal budget plan, the Government of Canada announced a requirement for Crown corporations to report on their climate-related financial risks, in alignment with the TCFD.

These reporting standards aim to raise awareness of the importance of tracking, managing, and disclosing material climate-related risks and opportunities in a consistent and comparable way. Canada Post strongly believes organizations have a duty to disclose results achieved and forward-looking information across the four themes identified in the TCFD framework of **governance, strategy, risk management, and metrics and targets**. We are pleased to adopt the recommendations of the TCFD and publish our second report in alignment with its recommendations, providing a comprehensive view into the management of climate-related risks and opportunities at Canada Post.

Forward-looking statements

Canada Post's 2022 TCFD Report contains forward-looking statements that reflect management's best estimate and current views with respect to future climate-related events, risks, opportunities, strategies, and financial impacts at the time of publication. Forward-looking statements are typically identified by words or phrases such as *plans, anticipates, expects, believes, estimates, intends, forecasts, targets* or similar expressions, or future or conditional verbs such as *aim, anticipate, believe, expect, intend, may, plan, predict, seek, should, strive* and *will*. These statements are not facts, but rather estimates regarding future results that are based on current estimates, assumptions and other factors deemed reasonable at the time that they were applied. These estimates may prove to be incorrect due to unforeseen risks and general uncertainties of the business and environment we operate in. Readers are cautioned to not place undue reliance on forward-looking information contained in this report. Financial impact estimates provided within this report are unaudited, subject to verification and not to be used for any other purpose than to gain a high level, directional understanding of how climate change could impact our business. To be able to interpret the magnitude and significance of estimated financial impacts provided in this report, we recommend that this information be read in conjunction with the Corporation's annual consolidated financial statements and MD&A for the year ended December 31, 2022.

Joint message from the Board Chair and CEO

Delivering for Canadians is at the heart of everything we do. Our transformation plan will help us build a stronger Canada and deliver more for Canadians. A key pillar of that plan is prioritizing environmental leadership. The climate science is clear: we must act now to reduce emissions and adapt to a warming climate.

In 2022, the Board of Directors approved our net-zero climate commitments and a \$1-billion investment to take action on climate change. We're committed to electrifying our fleet of over 14,300 vehicles by 2040, investing in renewable energy, and retrofitting our existing buildings to reduce energy usage. Our climate targets, approved by the Science-Based Targets initiative (SBTi), are aligned with the Intergovernmental Panel on Climate Change's (IPCC's) 1.5°C climate-warming scenario.

We acknowledge that we have significant work ahead of us. Given the scale of our network and operations, we won't get to net zero quickly. It will take a careful,



Suromitra Sanatani,
Chair of the Board of Directors

strategic and methodical approach. The IPCC's Sixth Assessment Report warned of the consequences of inaction, and we're committed.

Transparency is a key part of our journey as we cut emissions, mitigate risks and build climate resilience. That's why we value and understand the importance of the TCFD framework for climate-related disclosures. It allows Canada Post to consistently identify, quantify and report on our impacts on the climate.

Our second TCFD report provides Canadians with details on our response to climate change. We will continue to update this information annually to maintain this transparency for Canadians over the coming years. We're here to deliver for Canadians, and we have an important leadership role to play for them on the environment. It's our pleasure to share this transparent process with them.



Doug Ettinger,
President and CEO



Governance



Board of Directors oversight on climate-related issues

In 2022, the Board of Directors continued to play a key role overseeing the strategic imperatives tied to Canada Post's transformation driven by its new purpose, A Stronger Canada – Delivered. Our transformation plan and commitment to Canadians is anchored by three pillars: providing a service all Canadians can count on, social and environmental leadership, and doing right by our people. Key milestones in 2022 included the approval of:

- A more ambitious science-based target and supporting our efforts to electrify our fleet (see **Metrics and targets** for full details);
- Canada Post's first Anti-Racism and Anti-Discrimination Charter; and
- Canada Post's Accessibility Plan as required by the *Accessible Canada Act* to proactively identify, remove and prevent barriers across the organization.

On behalf of the Government of Canada, Canada Post's shareholder, the Board provides oversight and guidance on the strategies and affairs of Canada Post. The Board of Directors holds management accountable for its business performance and strategic objectives, and exercises due diligence over:

- Strategic initiatives and corporate plans;
- Service and operational performance;
- Internal controls and financial reporting;



- Major contracts and investments;
- Recruitment of senior officers;
- Health and safety, labour and compensation management;
- Environmental, social, and governance (ESG) strategy, target-setting and priorities; and
- Effective reporting to the shareholder.

Canada Post's Board of Directors has oversight of the company's environmental, social and governance (ESG) initiatives through the ESG Committee. The ESG Committee is responsible for ESG issues at the Board level, reviewing

initiatives, progress against targets, and making recommendations to the Board of Directors to assist with its oversight and decision-making duties.

The purpose of the Board's ESG Committee is to provide a focus on corporate governance, facilitate Board effectiveness and oversee policies, programs, practices, procedures, and performance with respect to corporate sustainability and ESG, which includes climate-related issues. For example, in 2021, the release of the Intergovernmental Panel on Climate Change (IPCC) Sixth Assessment



Report prompted discussion of the ambition of Canada Post's science-based targets, aligned with a well-below 2°C climate-warming scenario. At the request of the Board's ESG Committee, in 2022 Canada Post's Corporate Sustainability and ESG team worked to strengthen its emissions reduction targets to align with the IPCC Sixth Assessment Report and a 1.5°C climate-warming scenario. This included a board-approved strategy and financial investment plan to meet those targets before submitting them for formal approval to the Science-Based Targets initiative (SBTi).

In March of 2022, the Board approved Canada Post's new near-term targets and long-term net-zero goal, which was later approved by the SBTi in December 2022. See [Metrics and Targets](#) for further details.

Climate-related risks are reviewed as part of the Board's semi-annual review of the Corporation's Enterprise Risk Management Risk Register. The ESG Committee's membership consists of the Chair of the Board of Directors and three directors. The ESG Committee met three times in 2022,

with sustainability and climate-related issues on the agenda at all meetings.

As part of our Board education program, we have held several educational sessions on ESG over the past two years, including an ESG workshop, Unconscious Bias Training, an Indigenous Reconciliation education session, and a Cybersecurity Tabletop Exercise. In our quarterly Board education newsletters, we also include recommended readings on emerging trends and upcoming events dealing with ESG.

Management oversight and responsibilities

Responsibility for ESG at Canada Post falls under the purview of our Senior Vice-President, General Counsel and Sustainability (SVP) who has overall responsibility for ESG strategy and initiatives as well as the assessment and management of climate-related risks and opportunities. The SVP reports to the President and Chief Executive Officer (CEO), who is responsible for all aspects of the company and reports to Canada Post's Board of Directors. The CEO's management of the company includes the company's approach to ESG and climate-related issues.

Notably, in 2022, the Corporation created a new Vice-President, ESG position (VP), who oversees the prioritization and alignment of sustainability across the Corporation. The Corporate Sustainability and ESG team reports to the VP, who reports to the SVP. The Corporate Sustainability and ESG team acts as a trusted advisory group of subject matter experts for various business units throughout Canada Post, to enable management of ESG issues, including climate change, across the Corporation. This includes ensuring that our direct operations have a defined strategy to reduce emissions and contribute towards meeting our long-term net-zero target and executing against our near-term target of reducing scope 1 and 2 emissions by 50 per cent (against a 2019 baseline). The team reports regularly on

performance against these goals to Canada Post's management executive committee and the Board of Directors.

Climate issues are factored into the Corporation's strategic planning and reporting using both playbooks and pay-linked scorecards for the C-level and other executives, which are governed by the Board of Directors. All Officers of the Corporation have a pay-linked behaviour change and/or climate-related target on their scorecards. The Board of Directors receives a quarterly performance report on ESG which includes progress against climate targets from the Corporate Sustainability and ESG team.

Stakeholder consultation

Management consults with key stakeholders for their perspectives on ESG issues, including climate change, before management makes decisions. We engage in dialogue through working groups, joint committees, and external advisory panels, including the joint environment committee, which is comprised of representatives from Canada Post's Corporate Sustainability and ESG team as well as our four bargaining agents.

Corporate structure for climate risk oversight



Risk management



Canada Post has an enterprise risk management (ERM) framework that considers risks, including those related to climate change, at all levels of decision making. The aim of ERM is to minimize enterprise-level risks that may affect the Corporation’s ability to achieve long-term financial self-sustainability, while fulfilling its mandate, mission, and strategic objectives.

The ERM framework includes a process to identify, measure, assess, respond to, monitor, and report on all enterprise risks. Ongoing risk identification and monitoring is required to ensure that management can effectively assess and proactively respond to new and emerging threats. Enterprise risks, including those related to climate change, are measured and assessed in a consistent, objective, and comparable manner using a uniform risk-assessment scale to rate the potential adverse impact (e.g., financial, operational, and reputational consequences) and likelihood of occurrence. Once risks are assessed, they are categorized as low, moderate, high, or very high. Greater attention and resources are dedicated to controlling and mitigating risks that have a higher severity.

Below are the substantive financial and strategic impact ranges based on our five-point scale:

Category	Measure	1 – very low	2 – low	3 – medium	4 – high	5 – very high
Financial	Revenue impact (5-yr)	<\$100 M	\$100-250 M	\$250-500 M	\$500 M-1 B	>\$1 B
	Cost impact (5-yr)	<\$50 M	\$50-100 M	\$100-200 M	\$200-500 M	>\$500 M
Operational	Labour, network or delivery capabilities unavailable.	<1 day	1 day	1-2 days	3-5 days	>5 days
	Impacts to business processes or service performance.	Insignificant	Minor (Isolated)	Moderate (limited)	Severe (broad)	Extreme (company-wide)
Reputation	Brand impact from material sustained negative news, social media, or complaints. Potential for “social justice”	Insignificant	Local	Regional	National	International

Category	Measure	1 – very low	2 – low	3 – medium	4 – high	5 – very high
Likelihood	Chance in next 2-3 years.	<20%	20-40%	40-60%	60-80%	>80%

In conjunction with the ERM team, the Corporate Sustainability and ESG team undergoes continual evaluation of climate-related risks over various time horizons in the context of Canada Post’s ERM framework. In 2022, we further validated our climate-related physical risks (i.e., those arising from increasing frequency and severity of extreme weather events) and transition risks (i.e., those arising from the transition to a low-carbon economy) with key senior executives. We conducted climate-related scenario analysis, modelling temperature rise scenarios and likelihood of their impacts against key enterprise climate-related risks. The outcomes of this assessment provided guidance on classifying the size, scope, likelihood, and estimated financial impacts of identified climate-related risks. On an annual basis, the Corporate Sustainability and ESG team works with the ERM team to review climate-related risks and update disclosure of these risks for inclusion in our annual report. The ESG team has helped to establish a more stringent review process that aligns with our ERM framework. This annual review helps strengthen our climate-related management strategies.

Our ERM framework provides oversight and consistency throughout Canada Post risk management activities. It reduces organizational uncertainty and strengthens resiliency, sets risk prioritization to improve allocation of resources, enables proactive responses to emerging risks, and ensures ownership and accountability of risk mitigation and controls. The process of comprehensive enterprise risk assessment and mitigation review is conducted semi-annually and reported to senior management and the Board of Directors.

Strategy





Canada Post climate-related risks and opportunities

Canada Post recognizes the importance of identifying and assessing the impacts of climate-related risks and opportunities over the short, medium, and long term. In terms of risks, we evaluate transitional and physical climate-related risks as part of our ERM process. Transitional climate-related risks include the assessment of current and emerging regulatory, technology, legal, market and reputational risks. Physical climate-related risk assessments include monitoring acute and chronic weather-related risks. Climate-related opportunities are considered as part of our overall strategic planning process, where we evaluate potential revenue gains and/or cost savings that could arise from offering low-carbon services or implementing energy efficiency initiatives.

We consider climate-related and ESG risks and opportunities over the short-term (0-1 year), medium-term (1-5 years) and long-term (5-10 years) time horizons. The table below outlines our current understanding of key climate-related risks and opportunities along with their potential impacts to our business operations and our current risk mitigation and opportunity realization strategies. Future weather patterns are unpredictable.

Financial impact estimates in the tables below were derived by using a dual approach of leveraging very limited experiential historical financial impact data (or estimated data), proxies for extreme weather events and stakeholder views. These estimates are unaudited, subject to verification and not to be used for any other purpose than to gain a high-level, directional understanding of how climate change could impact our business.

As the Corporation evolves in its climate journey, more comprehensive data collection will be critical in improving the accuracy of future analyses and estimates. Further, estimated impacts disclosed within this report represent possible financial exposure only and will not necessarily result in a financial impact or cost. The impact to our business will depend heavily upon the presence (or not) of a significant climate event, the severity and duration of the event, and the specific region or facility involved.

The Corporation has implemented risk control strategies to mitigate the risk of damage to its assets and the resultant impacts to operations whenever possible. These include insurance, loss control measures (for example, sprinklers) and business continuity plans, however the financial estimates below exclude consideration of these measures.

Canada Post's climate-related risks

Risk type	Risk	Description	Time horizon & likelihood	Estimated potential financial impact (unaudited, subject to verification) ^{1,2}	Mitigation strategy
Acute physical	Wildfires	Increase in wildfire risk due to changes in temperature and precipitation, having the potential to result in higher costs to repair damages to infrastructure, relocate facilities and reroute deliveries.	Long-term More likely than not	Asset value at risk impact: \$0.7B-\$1.2B	To address this risk, we have implemented several proactive measures such as resiliency by design in our operations and delivery; designing our buildings to be resilient to wildfire and other extreme weather events; and building business continuity plans to ensure operations can run effectively when impacted by such events. We have also implemented reactive measures. Canada Post's Fire Watch team monitors wildfires and can mobilize employees and evacuate facilities quickly in the event of extreme wildfires. Temporary mobile sites are set up in safe locations to ensure we are still able to operate during such events. We also equip our trucks, employees, and buildings with smog filters to ensure safety from smoke inhalation.
Acute physical	Extreme precipitation	Extreme precipitation events leading to rapid accumulation of surface water, having the potential to result in increased costs to repair damages to infrastructure, relocate facilities and reroute deliveries.	Long-term More likely than not	Asset value at risk impact: \$2.7B-\$4.6B	On an annual basis, as part of our Facilities Improvement Program (FIP), we evaluate and select key sites with immediate improvement needs that may impact operations. This evaluation includes mitigation measures geared towards resilience from extreme precipitation events. Examples include replacing flat roofs with peaked roofs to better handle increases in snow accumulation, and grading pavement around buildings as a flood damage prevention mechanism.
Transition	Carbon pricing mechanisms	Policy actions having the potential to increase fuel and energy costs which could result in increased operating costs.	Long-term Very likely	Operating cost impact: \$130M-\$880M	We have implemented a range of environmental initiatives to reduce our overall carbon footprint. Notably, we have adopted science-based targets with a long-term commitment to achieve net-zero emissions across our value chain by 2050. We have also earmarked \$1 billion to cut operational emissions and transform our fleet of over 14,300 vehicles to electric. See the Metrics and Targets section for details.

1. Financial impacts disclosed in this table are annual figures and should be considered over the time horizon indicated.

2. Asset value at risk encompasses only the replacement value of buildings in our current real estate network and excludes potential damage to land or building contents. Asset replacement value is the estimated cost of rebuilding or replacing a property or asset with a new one that has the same function, capacity, and quality as the original asset. The cost includes factors like design, permits, construction, accessibility, and due diligence, but excludes certain costs like building demolition or site remediation, relocation to the replacement site, fixtures, postal boxes, dock equipment, IT/telecom cabling and infrastructure, and security measures. The estimate also factors in annual inflation increases based on building construction price indexes. However, regional demand/supply and pricing, inflation factors for future years, and green design and implementation are not included in the estimate.

Canada Post's climate-related opportunities

Opportunity type	Opportunity	Description	Time horizon & likelihood	Estimated potential financial impact (unaudited, subject to verification)	Strategy to realize opportunity
Products and services	Innovation to meet increasing demand for low-carbon products and services	Increased revenues resulting from increased demand for premium low-carbon shipping options	Long-term About as likely as not	Revenue impact: \$2M-4M (Annual estimate of potential revenue growth).	Starting in 2023, all Domestic Regular Parcel™ and Expedited Parcel™ ground deliveries will be carbon neutral. To realize this opportunity, in 2022, we developed a methodology to calculate emissions for all parcel deliveries. These emissions calculations are used to determine the volume of offsets required to make the shipments carbon neutral. Our calculation methodology was third-party validated. When purchasing offsets, we prioritize Indigenous owned or led, Canadian nature-based offset projects. Revenue could be impacted positively by gaining market share, or through differential pricing for a low-carbon shipping option.
Market	Climate leadership	Increased revenues from taking a leadership position on climate change to enhance Canada Post's reputation with customers	Long-term More likely than not	Revenue impact: \$20M-\$35M (Annual estimate of potential revenue growth).	In 2021, we adopted and communicated a new plan and overarching purpose, A Stronger Canada – Delivered. As a key pillar in our transformation plan, we are prioritizing the environment. Canadians want us to play a leading role in the protection of the country's environment for future generations. We are investing to reduce our environmental impact and help to deliver a sustainable future. Our strategy involves a \$1-billion climate action plan which covers investments to reduce our operational emissions. See the Metrics and Targets section for details.
Resource efficiency	Fleet decarbonization	Cost savings and greenhouse gas emission reduction opportunities associated with fleet electrification	Long-term Very likely	Operating cost savings impact: \$10M (Annual estimate based on projected cost savings).	As a major delivery company operating one of Canada's largest fleets, transforming our fleet to support a low-carbon economy is a high priority. In June of 2022 we announced our commitment to electrify 50 per cent of our last mile fleet by 2030 and 100 per cent by 2040. Plans to achieve this are under way, with our first 100 fully electric last-mile vehicles expected to be on the road by the end of 2023.

Impact of risks and opportunities on strategy and financial planning

Climate-related risks and opportunities and other ESG considerations continue to influence our development of strategy. These considerations are integrated into our business processes and decision-making involving products and services, operations, our value chain and investments in research and development. For more detail on these considerations and how they impact the business, refer to Section 3, Business Strategy of our [2022 disclosure on CDP's](#) (formerly Carbon Disclosure Project's) annual climate change questionnaire.

Climate-related risks and opportunities continue to influence our capital expenditure and annual financial planning. In 2022, the Board of Directors approved our more ambitious science-based targets with a dedicated investment envelope to ensure we can meet our greenhouse gas (GHG) emission reduction goals. Progress made against meeting our target and budget updates are provided each year to the Board, with interim updates throughout the year.

In 2022, Canada Post unveiled its leading-edge, net-zero parcel sorting facility that will have the capacity to process more than one million packages a day. The Albert Jackson Processing Centre will be a key hub for the



Albert Jackson Processing Centre: Canada Post's first net-zero carbon facility

company's national network and improve service for Canadians when it becomes entirely operational in 2023. The \$470 million state-of-the-art facility in Scarborough, Ontario, will help Canada Post meet the changing needs of Canadians and businesses across the country. The facility is the largest industrial project in Canada with the Zero Carbon Building design standard.

To meet our science-based emission reduction targets, a combination of select building upgrades, clean fleet alternatives, renewable electricity purchases, and supplier engagement initiatives are needed. We have detailed our progress on these opportunities and priorities in our 2022 Sustainability Report. For more information, see the Climate action section of our [2022 Sustainability Report](#).

Using climate-related scenario analysis to inform strategy and risk mitigation

Climate-related scenario analysis provides guidance on where to focus on enhancing the resilience of climate-related management strategies as well as identifying “hotspot” locations that are most at risk within the timeframe of the conducted analysis.

In alignment with the TCFD recommendations, we conducted a scenario analysis on our physical and transitional risks and summarized the results in the tables below. Financial impact estimates provided in the tables within this report are unaudited, subject to verification and not to be used for any other purpose than to gain a high level, directional understanding of how climate change could impact our business.

Climate-related scenario analysis results: physical risks

Scenario	Description	Temperature impact	Time horizon	Rationale
SSP1 – 2.6 (Low)	Depicts a future in which the world shifts gradually towards a more sustainable path where there are low challenges to transition to a low-carbon economy and adapt to climate change. Emissions in this scenario are low, keeping the world below 2°C warming.	Below 2°C by end of century	2030	This scenario was selected because it depicts a best-case scenario.
SSP2 – 4.5 (Moderate)	Depicts a “middle of the road” future in which there are medium challenges to mitigate climate change, with some degradation to environmental systems. Emissions in this scenario are moderate, putting the world on a path of 2-4°C warming.	2-4°C by end of century	2030	This scenario was selected because it depicts a likely future given announced emissions reduction commitments (e.g., NDCs).
SSP5 – 8.5 (High)	Depicts a future in which there is intensive use of fossil fuel resources, creating high challenges to mitigate climate change. Emissions in this scenario are high, putting the world on a path of 4°C warming or higher.	Above 4°C by end of century	2030	This scenario was selected because it depicts a worst-case scenario.

Physical risk	Methodology	Outcomes	Business and estimated financial impact on strategy (moderate scenario to 2030) (unaudited, subject to verification)
Wildfires	Climate models were used to project the average number of high fire risk days at Canada Post’s top 25 locations. This determined the location’s future exposure to wildfires under different warming scenarios. Vulnerability to wildfires was assessed, which determined which locations were most at risk and extrapolated results across all of our real estate.	Overall, the number of high fire risk days is projected to remain unchanged or to increase for all locations, with a more pronounced increase associated with higher warming scenarios. Our sites in British Columbia have the highest risk of exposure to wildfires. As a result, these locations may be at a higher strategic risk for Canada Post.	Wildfires are projected to have a financial impact on an estimated 170-280 Canada Post sites with an estimated asset value of \$0.7B-1.2B. This range represents the replacement value of buildings in our current real estate network that are in a location at risk under a moderate scenario. Additional costs may be incurred from damage to buildings, disruption to operations, resulting in increased direct costs to operations, potential liabilities, and revenue impacts.
Extreme precipitation	Climate models were used to project the number of monthly precipitation events greater than a 25-year and 100-year recurrence interval over a 20-year period at Canada Post’s top 25 locations. This determined the location’s future exposure to extreme precipitation events under different warming scenarios. Vulnerability to these events was assessed, which determined which locations were most at risk and extrapolated results across all of our real estate.	The projected change in the number of extreme precipitation events varies by location. After evaluating relevant climate attributes, we found that South Central Toronto, Barrie, Ottawa, Campbell River, Prince George, Saint John and Edmonton have a higher risk of extreme precipitation events among our identified locations. As a result, these locations may be at a higher strategic risk for Canada Post.	Flooding is projected to have a financial impact on an estimated 850-1,400 Canada Post sites with an estimated asset value of \$2.7B-4.6B. This range represents the replacement value of buildings in our current real estate network that are in a location at risk under a moderate scenario. Additional costs may be incurred from damage to buildings, disruption to operations, resulting in increased direct costs to operations, potential liabilities, and revenue impacts.

Climate-related scenario analysis results: transition risk

Scenarios ³	Description	Time horizon
Disorderly transition	<p>Two Network for Greening the Financial System (NGFS) scenarios reviewed:</p> <ul style="list-style-type: none"> • Divergent net-zero: reach net-zero by 2050 but with higher costs due to divergent policies introduced across sectors and a “rushed” phase out of fossil fuels. This scenario assumes that climate policies are more stringent in the transportation and building sectors. This scenario limits global warming to 1.4°C • Delayed transition to net-zero: Assumes global annual emissions do not decrease until 2030 resulting in the need for aggressive policies. It includes regional carbon price variations i.e., regions with net-zero targets that are more ambitious after 2030. This scenario limits global warming to 1.6°C 	2030
Orderly transition	<p>Two NGFS scenarios reviewed:</p> <ul style="list-style-type: none"> • Below 2°C: Encompasses gradually increasing stringency of climate policies, reaching net-zero after 2070. This scenario limits global warming to around 1.5°C to 2°C. • Net-zero 2050: An ambitious scenario that limits global warming to 1.5°C through stringent climate policies and innovation, reaching net-zero around 2050. 	2030
Current state	<p>Two NGFS scenarios and Canada’s current carbon pricing scheme:</p> <ul style="list-style-type: none"> • Nationally Determined Contributions (NDCs): Includes all pledged policies. This scenario leads to global warming of around 2.5°C. • Current Policies: Includes all current policies, results from extrapolation of near-term policy ambition. This scenario leads to global warming of 3°C+. • Minimum national carbon pollution price: this is not a NGFS scenario. Rather, it represents Canada Post’s current exposure, should entities fail to enact or implement additional and/or more aggressive carbon pricing schemes. Under such scenarios, we expect 2.5°C+ of warming. 	2030

3. Scenarios selected reflect the Network for Greening the Financial System (NGFS) scenarios.

Transition risk	Methodology	Outcomes	Business and estimated financial impact on strategy (moderate scenario to 2030) (unaudited, subject to verification)
Carbon pricing	<p>We projected our current emissions under the three different scenarios above to determine the amount of emissions that will be subject to a carbon tax. We layered in carbon prices associated with different NGFS scenarios to determine our potential financial exposure.</p>	<p>The projected impact of carbon pricing will vary depending on how governments set carbon pricing mechanisms and what actions Canada Post takes to reduce emissions across its value chain. More stringent carbon pricing policies will result in potential increased costs for Canada Post that can be mitigated through actions to transition to a low-carbon business model.</p>	<p>Carbon pricing is projected to have an annual financial impact of \$130 million to \$880 million. The minimum estimated financial impact figure considers the amount of carbon tax that Canada Post would be subject to by 2030 if we continue our strategic emission reductions in line with our science-based target to achieve net zero GHGs by 2050. The higher financial impact figure is the amount of carbon tax that we would be subject to if we continued with a 5 per cent business-as-usual increase in emissions. Our strategy to achieve our targets (outlined under the Metrics and Targets section) will help reduce our GHG emissions and put us at a lower risk of carbon-related taxes or surcharges.</p>

Metrics and targets



In 2021, the Intergovernmental Panel on Climate Change (IPCC) released its Sixth Assessment Report, which stressed the importance of keeping rising global temperatures to 1.5°C above pre-industrial levels. Canada Post has a role to play in significantly reducing our emissions in alignment with the IPCC Sixth Assessment report and to support the Government of Canada's ambitious climate plan. Following the release of the IPCC report, and at the request of our Board of Directors, in 2022 Canada Post strengthened its emissions reduction ambition by aligning with a 1.5°C warming scenario, further underscoring our commitment to help Canada's transition to a low-carbon economy.

Canada Post has earmarked \$1 billion to cut emissions and transform its fleet to electric. With over 14,300 vehicles and Canada's largest retail network of close to 5,900 post offices, we acknowledge that our footprint is significant. The scale of our network requires an equally significant investment into climate action.

Our new climate commitments express our ambition and involve a \$1-billion investment to fully electrify our fleet of over 14,300 vehicles by 2040, invest in renewable energy and retrofit our existing buildings to improve energy efficiency.



Canada Post's science-based targets

Our science-based target has three main components:

1. Reduce scope 1 and scope 2 GHG emissions by 50 per cent by 2030 (measured against 2019 levels).
2. Engage top suppliers and subsidiaries to adopt emission reduction targets, with a target of 67 per cent of our vendors (by spend), and 100 per cent of our subsidiaries, adopting a science-based target by 2025.
3. Reach net-zero GHG emissions up and down our value chain by 2050 from our 2019 base year.

Our targets are built to meet the 1.5°C pathway of the SBTi, which works with companies to set targets aligned with limiting global warming to 1.5°C above pre-industrial levels. Our 2030 target sets Canada Post on a path to net-zero emissions by 2050 and was approved by the SBTi in December 2022.

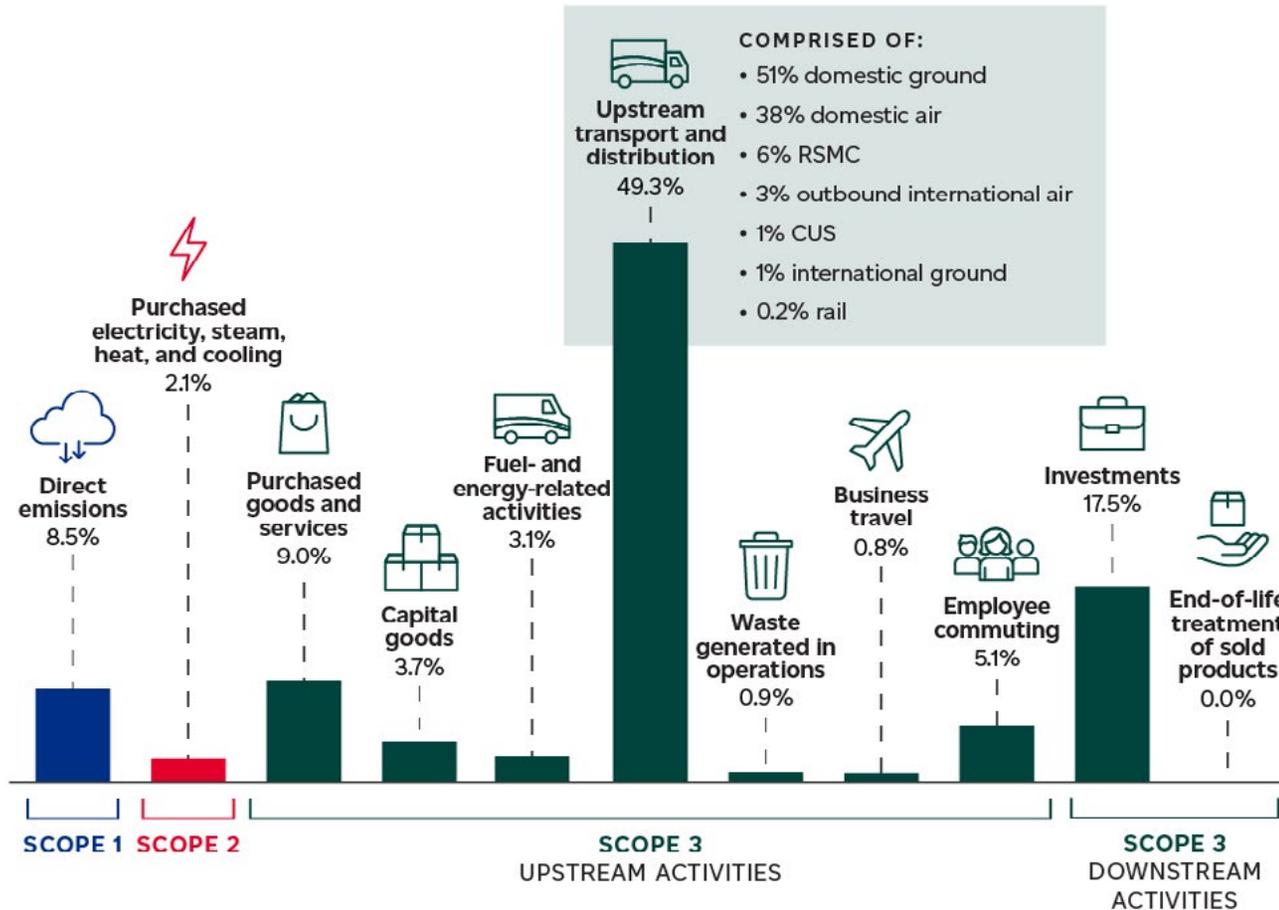
Canada Post is proud to be part of a small group of Canadian companies that have established science-based emissions reduction targets. In fact, Canada Post is one of the first 150 companies in the world to have an officially approved net-zero target. We take these ambitious commitments seriously and look forward to achieving our vision of net-zero emissions by 2050.

Other climate-related targets

Key target and focus area	Description	Progress
 The last mile	Transforming our last-mile fleet of vehicles to 50 per cent electric by 2030 and 100 per cent by 2040	On track. We purchased 100 electric delivery vehicles to replace aging internal combustion vehicles, which are expected to be on the road by the end of 2023.
 Sustainable delivery	Launch carbon-neutral shipping options.	Complete in Q1 2023. We embedded carbon-neutral shipping on all Domestic Regular Parcel™ and Expedited Parcel™ shipping (ground services).
 Employee engagement	Be considered as an environmentally responsible employer by 52 per cent of our workforce by 2023.	On track. Our 2022 employee survey indicated that 49 per cent of employees think of Canada Post as a sustainable employer.



Our 2022 GHG emissions:



Scope 1 represents 8.5% of total emissions, and fleet-related emissions drive the majority (64%) within that.

Scope 2 (market-based) contributes 2.1% of total emissions via purchased electricity.

Scope 3 drives 89% of total emissions, with purchased transportation and distribution being the most prominent (55%) of that, specifically domestic ground and air transport for linehaul.

Our science-based targets are incorporated into remuneration policies and are tied to executive scorecards. Canada Post annually calculates and reports on climate-related metrics (including historical GHG emissions by scope, energy consumption, percentage of renewable energy, percentage of electric vehicles in our fleet, and emissions intensity) to further understand how Canada Post is doing against its own emission-performance goals and climate-related risks and opportunities. For more information, see the Climate action section of our [2022 Sustainability Report](#), as well as our [ESG data supplement](#).

Looking ahead

Canada Post has one of the biggest fleets in the country, the largest retail network in Canada, almost 68,000 employees (full-time and part-time employees, including temporary, casual and term employees), a significant real estate portfolio and an extensive supply chain. The challenge ahead is great, and we know that the greening of our value chain will be critical. The results of this year's climate risk assessment help us gauge risks in the transition to a low-carbon economy and provide guidelines to strengthen our business continuity plans amid the risks and uncertainty presented by climate change. Identifying risks and opportunities and translating those into financial metrics has allowed deeper conversations with a wider group of stakeholders across Canada Post.

Going forward, Canada Post will continue to integrate climate-related considerations across the business, during business case development and as part of regular business continuity procedures and improvements.

Canada Post has set ambitious targets in line with keeping global temperatures to a 1.5°C climate-warming scenario. As a result of our net-zero commitment, in 2023, we are working on formalizing our scope 3 emission reduction strategy and collecting primary data to more accurately assess our impact and future mitigation plans. Canada Post has an important role to play for Canadians as it reduces its emissions in alignment with the IPCC Sixth Assessment report and the Government of Canada's climate plan. We place value in the TCFD framework for climate change reporting. It holds companies like ours accountable, provides transparent reporting, and ensures Canadians have access to our climate change impact and mitigation strategies.

