Canada Post Corporation
2024 Annual Report

For the period ended December 31, 2024

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President's message

We are living in dynamic and tumultuous times. The long-standing ties that have bound us with our southern neighbour for generations are being broken in real time, with any consequences seemingly dismissed as collateral damage.

Like you, I have been incredibly proud to see the quick and bold reaction from our leaders and everyday Canadians. Governments are responding, businesses are planning, and Canadians are checking labels while going online to find Canadian products and businesses to support. Important public discussions are occurring about how to strengthen our economy, break down barriers and build national resilience.

As we focus our energy on strengthening Team Canada, Canada Post can, and should, play a pivotal role. We are Canada's delivery infrastructure. We are not perfect, and major changes are urgently needed, but we are the only delivery company with the network, people and commitment to serve all. With Canadian hearts beating with pride, we provide the vital arteries needed to connect all points north, east and west.

We're an important part of Team Canada – but change is urgently needed

We have been here before. The national postal system emerged in the 1880s along the expanding national railway to help our fledgling country move goods, connect communities and build the economy to fend off an expansive southern neighbour.

Fast-forward to today: bolstering our national economy and identity with a wholly Canadian, publicly owned delivery company is just as compelling. A strong Canada Post ensures Canadian businesses have a fighting chance at home and abroad. We can help them grow their business or transition through today's realities and so much more. As people across the country shop Canadian, they should always be able to ship Canadian.

There is one major problem, though. As currently structured, the postal system is losing approximately a billion dollars a year and has recorded seven consecutive annual losses. To help Canada Post remain solvent and continue operating, the Government of Canada made repayable funding available to the Corporation. That means we will be there for Canadians in the short term, but the need to change our operating model, respond to our challenges and secure this national infrastructure for the road ahead is more urgent than ever before.

Bold action is required to secure this important national infrastructure

If we dust off our nostalgic view of Canada Post and instead look at it through today's Team Canada lens, what comes into focus is an incredible economic asset that is ready-built to serve the country and once again build national resilience.

It is therefore time for a bold, new approach to make the postal system financially sustainable and always there for Canadians. To get there, we must first break through the strong resistance to change that has led the national postal system to the brink of insolvency. It has kept us stuck in a mail-based, pre-internet past with a delivery model developed decades ago and a regulatory and policy framework that is just as outdated. The past has caught up to us and we are being quickly pushed to the side in today's highly competitive parcel delivery market.

A path forward for the postal service

The postal system we know today took shape in 1981, when Canada Post became a Crown corporation. It's a user-pay system designed to give the postal service the autonomy to operate so that it could evolve in step with the needs of the country. Over time, that autonomy and flexibility have greatly diminished. We have made important changes to improve service and compete in the parcel business, but much more is required. It's not handouts we need, it is willing partners prepared to work hand in hand with us to make the real changes needed to renew and secure Canada Post.

First, we need a new, more flexible and affordable delivery model, including providing weekend parcel delivery. Our delivery model was negotiated decades ago when our biggest issue was managing a constant stream of mail. That was an important focus during last year's negotiations with the Canadian Union of Postal Workers (CUPW). Unfortunately, we ended the year with a 32-day national strike which severely impacted employees, small businesses, rural and remote communities, charities and many more.

This is the reality: to be there for Canadians and our employees in the future, we need to do much more. We have the best people in the delivery business, but our outdated delivery model and stringent workplace rules are holding us back. The needs of Canadians should always be our North Star, and we are committed to aligning on a path toward it.

Second, we need a major overhaul of our outdated regulatory and policy framework that belongs next to the Three-Pence Beaver stamp at the Canadian Postal Museum. Oversight is important, but decades of restrictions on the postal system, implemented by successive governments, prevent real transformation while adding costs. The country we serve has changed dramatically, but in many ways, we are still required to operate like the internet is just a passing fad and mail is about to make its triumphant comeback.

We are still required to deliver a letter across the country within four days, largely by air at extra expense, where it will most likely sit in a community mailbox for days until the customer picks it up. We cannot implement changes to a list of rural post offices from 1994, even though about 30 per cent of the communities, like Richmond Hill, Ontario, are now clearly not rural. We are also required to protect mail delivery to the door for less than 25 per cent of households, while 70 per cent of Canadians receive mail delivery to a centralized location, such as a community mailbox, at a fraction of the cost.

Bolstering Team Canada with a renewed national delivery infrastructure

This turning point in our nation's history may have come with little warning, but everywhere you look, the country is wanting to strengthen all that we value as Canadians. We need that same energy and collaborative effort to renew and revitalize this national infrastructure built to deliver items from Canadian hands to other Canadian hands, no matter where they live. We at Canada Post have been there for Canadians since the very beginning and are fully prepared to tackle our future together, ensuring Canada always remains the True North, strong and free.

Doug Ettinger
President and Chief Executive Officer

Executive summary

Canada Post proudly delivers to all. It's not just our duty – it's our history. We provide a critical national infrastructure, with a reach that touches every corner of the country. We're a lifeline for communities and help Canadian businesses compete. But our decades-old foundation is crumbling – it's holding us back in today's hypercompetitive delivery market and threatening our future.

The Corporation's long-standing mandate is to deliver to all Canadians – living in urban, rural and remote areas – and to stand on its own financially, based on revenue generated from its products and services, not taxpayer dollars. It operates on a user-pay model that's meant to keep the postal service attuned to the evolving expectations of Canadians. To do so, Canada Post must be able to change as the needs of the country change. However, the Corporation is rapidly falling behind.

Outdated operating, regulatory and policy constraints are limiting our ability to adapt to the changing needs of the country. At the same time, letter mail continues to decline and competition has rapidly intensified in ecommerce delivery. As a result, the Corporation has posted years of large financial losses and is now at a crisis point in its history. Together, these challenges threaten our ability to serve the entire country and prevent us from keeping pace with the evolving needs of Canadians.

As this report demonstrates, Canada Post's financial situation is unsustainable. We must make urgent changes to modernize and preserve this critical national infrastructure for all Canadians. The future of the national postal system is at risk. The status quo has brought the Corporation to the brink of insolvency and is clearly not a viable option.

Financial losses continue to mount

- The Corporation has posted seven consecutive years of significant losses.
- In 2024, Canada Post recorded a loss from operations of nearly $1.3 billion. The loss from operations excluded non-recurring gains and dividend income from the Corporation's divestitures of SCI Group Inc. and Innovapost Inc. in the first half of the year.
- Since 2018, Canada Post's cumulative losses from operations are more than $4.5 billion.

- Overall, Canada Post recorded a loss before tax of $841 million in 2024, compared to a loss before tax of $748 million in 2023. The loss before tax factors in the non-recurring gains and dividend income from the divestitures of SCI and Innovapost.
- Since 2018, Canada Post has lost more than $3.8 billion before taxes.
- The national strike by the Canadian Union of Postal Workers (CUPW) in the fourth quarter had a significant impact on the lines of business in 2024, with the largest impact on our Parcels business. Parcels revenue and volumes – which had already declined through the first three quarters – fell sharply for the full year, by 20.3 per cent and 19.9 per cent, respectively, compared to the previous year.
- Canada Post's operating costs – on track to increase for the year prior to the strike – declined by 5.3 per cent in 2024 compared to the previous year, largely due to operations being shut down during the labour disruption.
- With revenue falling much more than costs during the strike, the Corporation estimates that the labour disruption contributed a net negative impact of $208 million toward Canada Post's $841-million loss before tax.
- In 2024, labour and benefits represented approximately 65 per cent of total operating expenses.
- The company has continued to take action to control costs and look for additional efficiencies without impacting service. Our teams are always seeking new sources of revenue connected to our core responsibility – delivering for all Canadians.

Preventing insolvency with repayable funding from the Government of Canada

For more than a year, Canada Post signalled that it was running out of cash and facing insolvency. To ensure the company could continue operating, the Government of Canada announced in early 2025 that it would make available to Canada Post up to $1.034 billion in the government's 2025-26 fiscal year.

While this repayable funding is a temporary measure, it provides a much-needed financial bridge in the short term, as the company deals with its significant challenges. The funding will ensure operations continue and provide stability for the workers who depend on their pay and benefits. But it will not solve Canada Post's structural issues as the company struggles with an outdated operating model.

In its announcement, Public Services and Procurement Canada said the repayable funding "will prevent insolvency and ensure the continuity of postal services," while noting that "it is clear that the corporation must be put on a path to viability."

Lasting impacts of the national strike

The 32-day national strike by CUPW in late 2024 was a challenging period for Canada Post, its employees and the millions of Canadians who rely on the postal service.

Canada Post put forward fair and reasonable proposals for a more flexible delivery model that would sustain the business, while increasing wages, enhancing leave entitlements, and protecting the defined benefit pension and job security provisions for current employees. While significant changes are needed to its collective agreements, the Corporation understood it would take time to achieve the necessary reforms and it proposed measured changes that largely impacted future employees.

However, the parties could not reach a resolution. After receiving direction from the Minister of Labour, the Canada Industrial Relations Board ordered Canada Post and CUPW-represented employees to resume operations on December 17, 2024. The strike significantly eroded customer trust and loyalty. Many customers who found other delivery providers have not yet returned to Canada Post – a financial impact that's expected to last well into 2025 and beyond.

What's at stake is much bigger than the relationship between Canada Post and its employees. It's about preserving the long-standing relationship between Canada Post and the country it serves. As we saw during the strike, a large swath of the country still relies heavily on the postal service.

Canadians from coast to coast to coast were impacted. Small businesses, charities as well as rural, remote and Indigenous communities were particularly hit hard. Canada Post knows that it needs to earn back their trust. We must continue to evolve and become financially self-sustainable so they can always count on us – and never get left behind.

Industrial Inquiry Commission

In December 2024, the federal Minister of Labour established the Industrial Inquiry Commission to review the key issues in Canada Post's collective bargaining dispute with CUPW as well as the company's broader financial situation and competitiveness.

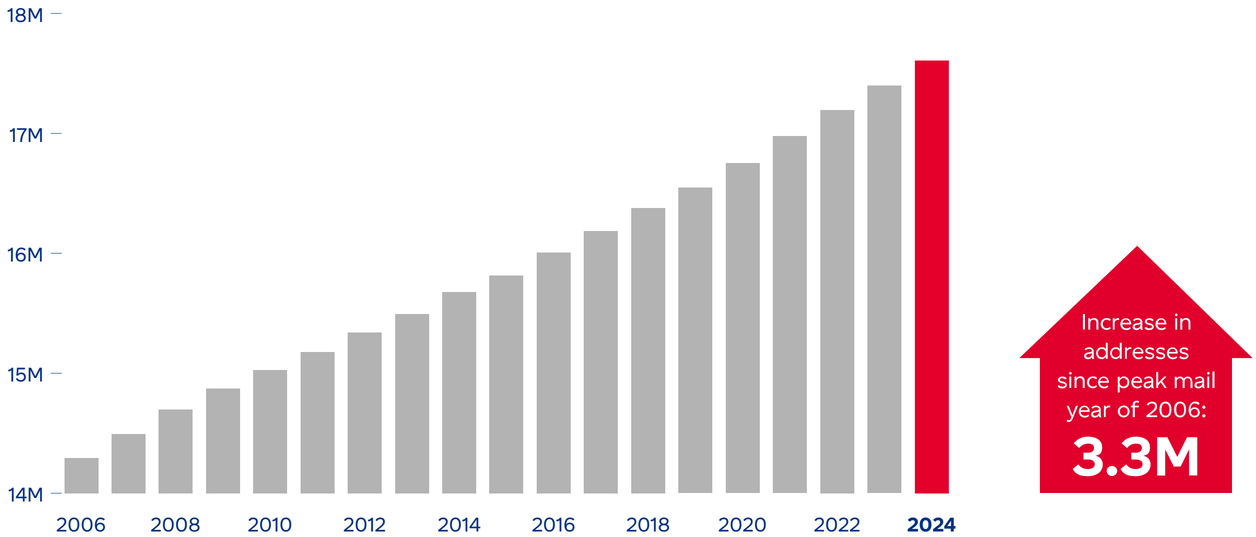
Multiple days of in-person hearings were held in early 2025, with written submissions also received from Canada Post, CUPW and many other stakeholders. It remains our hope that this process will bring the parties to a shared understanding of the issues before us. The commission is expected to provide recommendations to help chart a roadmap for Canada Post's future operational strategies.

The Great Mail Decline continues

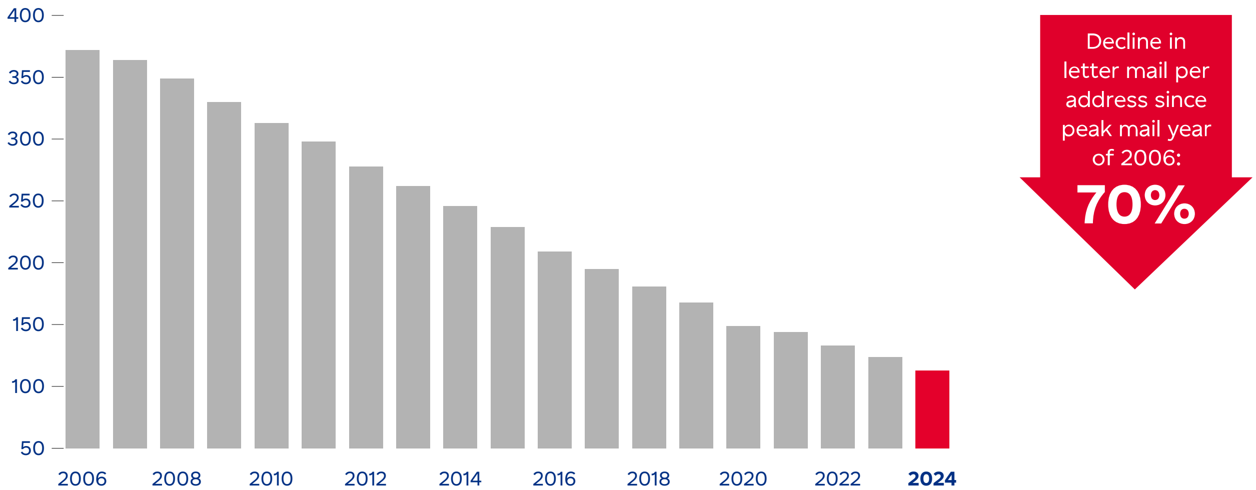
Letter mail, the long-standing foundation of the postal system, has been declining steadily for almost two decades. In 2006, the year Canada hit peak mail, we delivered almost 5.5 billion letters. In 2024, we delivered two billion letters, and that erosion will continue. Canadians are seeing this sharp decline in their mailboxes. Back in 2006, their households received an average of seven letters per week; today, it's two per week.

This ongoing decline in letter mail volumes is significantly eroding an important source of revenue for Canada Post. **A postal system built for 5.5 billion letters can't survive on two billion letters.**

The number of addresses grows each year...



... as letter mail per address declines



Find a data table for our address growth infographic and a data table for our letter mail decline infographic on our page Delivery reach and letter mail data.

As our mail revenue declines, delivery costs keep increasing. We deliver to more locations each year, with over 200,000 new addresses added annually. Since the peak mail year of 2006, the number of addresses we deliver to has risen by 3.3 million. This combination of delivering fewer letters to more addresses every year is unsustainable.

Serving our country's growing need for parcel delivery

Our core business will always be delivering items to Canadians, but what we deliver changes over time. While mail remains important, parcel delivery is where the growth is, with the Canadian ecommerce market expected to double over the next decade.

To handle the continued growth in online shopping and better serve customers, we've made targeted, strategic investments in recent years. Our investments have included new sorting equipment, facility upgrades, digital platforms and new service offerings – while we've remained focused on our highest priority, employee safety.

However, Canada Post has quickly fallen behind over the last few years after competition in the parcel delivery market exploded during the pandemic-driven online shopping boom. The Corporation's early success as an ecommerce delivery leader eclipsed the fact that it was doing so with an operating, regulatory and policy structure built for mail delivery.

The competition is now faster, flexible and focused on growth – pushing Canada Post to the sidelines as it continues to carry the weight of legacy restrictions and outdated operating parameters. As a result, our market share in parcel delivery has quickly eroded by around two thirds, from 62 per cent in 2019 to 24 per cent in 2024 (prior to the labour disruption).

Broader change is urgently needed

At this critical moment in our history, broader change is urgently needed to preserve and modernize the postal system. **We need flexibility in our delivery model, collective agreements, and regulatory and policy framework to better serve Canadians and compete in today's parcel delivery market.** The end goal is a self-sustaining postal system that has the flexibility to adapt and serve all Canadians in every corner of the country, without burdening taxpayers.

An outdated postal system will affect all Canadians, but it will be felt most by those who need it most – small and midsize businesses as well as Canadians in rural and remote areas. We're proud to be part of a Team Canada approach to supporting our economy and country. But we must modernize to ensure we're there for all Canadians, today and in the future.

A flexible delivery model to serve Canada's evolving needs

Canada Post's operating structure was built for a bygone era of letter mail. The company's current collective agreements with CUPW contain pages and pages of requirements and restrictions that were added decades ago as the company was focused on delivering a large and steady stream of mail.

While mail volumes are now a fraction of what they were, attempts at negotiating measured changes to the collective agreements have been extremely challenging. Today, these agreements significantly limit Canada Post's ability to serve the dynamic needs and expectations of Canadians and businesses in today's ecommerce market – including offering affordable evening and weekend parcel delivery.

To be clear, it's our outdated delivery model and workplace rules – **not our employees** – that hold us back. Our people are the best in the delivery business and proud to serve Canadians. A modern postal system would help them better serve our country.

Canada Post must transform into a seven-days-a-week parcel business, that continues to deliver mail. To do so, the Corporation urgently needs more flexibility in its delivery model and collective agreements. Without these key pillars in place, the future of Canada Post and the meaningful jobs it provides are in jeopardy. We continue to work with our bargaining agents, particularly CUPW, to achieve greater flexibility in the way we deliver.

A modern regulatory and policy framework for a changing country

Canada Post's dual mandate – to serve all Canadians and remain financially self-sustainable – requires a balance between the Corporation's freedom to manage its operations and government oversight to ensure Canadians' interests continue to be met.

However, since the *Canada Post Corporation Act* was implemented in 1981, successive governments have introduced policy and regulatory changes that have tipped the balance toward greater restrictions on the Corporation. This restrictive regulatory and policy framework is now outdated and stuck in the past, despite the ongoing decline of letter mail, changing demographics and growing competition in the parcel delivery business. The balance required for Canada Post to meet its mandate no longer exists.

To create more autonomy and flexibility, and meet the current and future needs of the country in a financially sustainable manner, Canada Post has put forward the following recommendations at the Industrial Inquiry Commission:

- Initiate a timely and thorough **consultation and review of the *Canadian Postal Service Charter***, with a focus on updating service standards, delivery frequency and post office requirements.
- Update the process for calculating and implementing **regular letter mail price increases within a shorter timeline**, while ensuring proper consultation, government oversight and advance notice for customers.
- **Update or replace the moratorium on rural post office closures and conversions** with a modern policy framework that continues to protect rural service.
- **End the moratorium on community mailbox conversions**, which protects a costly, premium service for less than 25 per cent of Canadian addresses in established urban neighbourhoods. More than 70 per cent of addresses already receive delivery to a centralized location. For residential customers with functional limitations, Canada Post's delivery accommodation program offers a variety of accommodations to help them access packages and mail.

Why Canada needs a postal service

Canada Post is an essential lifeline for Canadians, businesses, organizations and communities from coast to coast to coast. We are the only delivery company with the network, people and commitment to serve all 17.6 million addresses across our vast country.

A wholly Canadian, publicly owned delivery company is even more essential in a period when the Canadian economy is threatened by tariffs. Our national reach is critical to small businesses at a time when contract-labour delivery companies look to serve global retailers and focus on urban centres. As Canadians increasingly look to support homegrown businesses, we're here to help. Our country depends on Canada Post because it delivers everywhere, not just where it would be most profitable. Our services are vital for many Canadians, such as:

- **Small and midsize businesses:** Canada Post is a more affordable option with a truly national reach. We enable them to compete in a market increasingly dominated by multinational ecommerce giants.
- **Canadians in rural, remote and Indigenous communities**: Canada Post is often their only delivery option, connecting them to the rest of the country.
- **Charities big and small**: The mail service provides an important vehicle to connect directly with supporters and solicit vital donations.
- **Canadians in urban and suburban communities**: Canada Post provides a trusted delivery service that keeps them connected to government services, friends, family and businesses right across the country. We need a strong urban presence to help fund the less profitable areas where we're crucial to those communities.

Our commitment to leading necessary change

We're built to serve all Canadians, no matter where they live. However, the foundation of the postal system is crumbling. Urgent changes are needed to Canada Post's delivery model, collective agreements, and its regulatory and policy framework to protect its role as a vital national infrastructure.

The financial and structural challenges threatening Canada Post also pose a significant threat to communities across our country. Canada Post needs greater flexibility and autonomy in how it operates to continue to serve the entire country, understanding that the checks and balances Canadians want are also necessary.

Important discussions about the future of Canada Post have already begun and will continue in the months ahead. As we work with the Government of Canada, our bargaining agents and all Canadians, we are committed to leading the change that's necessary to keep pace with the evolving needs of the country and return to financial sustainability.

Delivery reach and letter mail data

The following data was conveyed via an infographic on the Executive summary page of the 2024 Canada Post Annual Report.

Address growth data table

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

Year	Number of addresses delivered to (in millions)
2006	14.293
2007	14.493
2008	14.696
2009	14.874
2010	15.028
2011	15.178
2012	15.338
2013	15.495
2014	15.677
2015	15.814
2016	16.006
2017	16.185
2018	16.379
2019	16.547
2020	16.750
2021	16.976
2022	17.194
2023	17.397
2024	17.609

Letter mail decline data table

Statistical data illustrating the decline in letter mail per address.

Year	Number of pieces of letter mail delivered per household
2006	372
2007	364
2008	349
2009	330
2010	313
2011	298
2012	278
2013	262
2014	246
2015	229
2016	209
2017	195
2018	181
2019	168
2020	149
2021	144
2022	133
2023	124
2024	113

2024 Annual Report

Our financial picture

Our financial picture

Canada Post's significant financial challenges continued to mount in 2024 as the Corporation was headed for insolvency. The postal service is at a critical juncture in its history. Its long-standing role as a vital, publicly owned national infrastructure for Canadians and Canadian businesses continues to be under significant threat.

The company has a responsibility to report to Canadians about its financial picture and its ability to maintain operations on a going-concern basis and in a financially self-sustaining manner.

Transparency and global standards in our financial reporting

Canada Post understands the importance of being transparent with Canadians and providing financial reports they can trust. We take great care to prepare our financial statements in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board – the global standard for financial reporting.

Our statements are also jointly audited by independent third parties including one of the Big Four accounting firms and the Office of the Auditor General of Canada. Auditors receive full, unrestricted access to our data. They are required to demonstrate independence and professional conduct, and to follow other requirements of Canadian generally accepted auditing standards.

Losses continue to mount

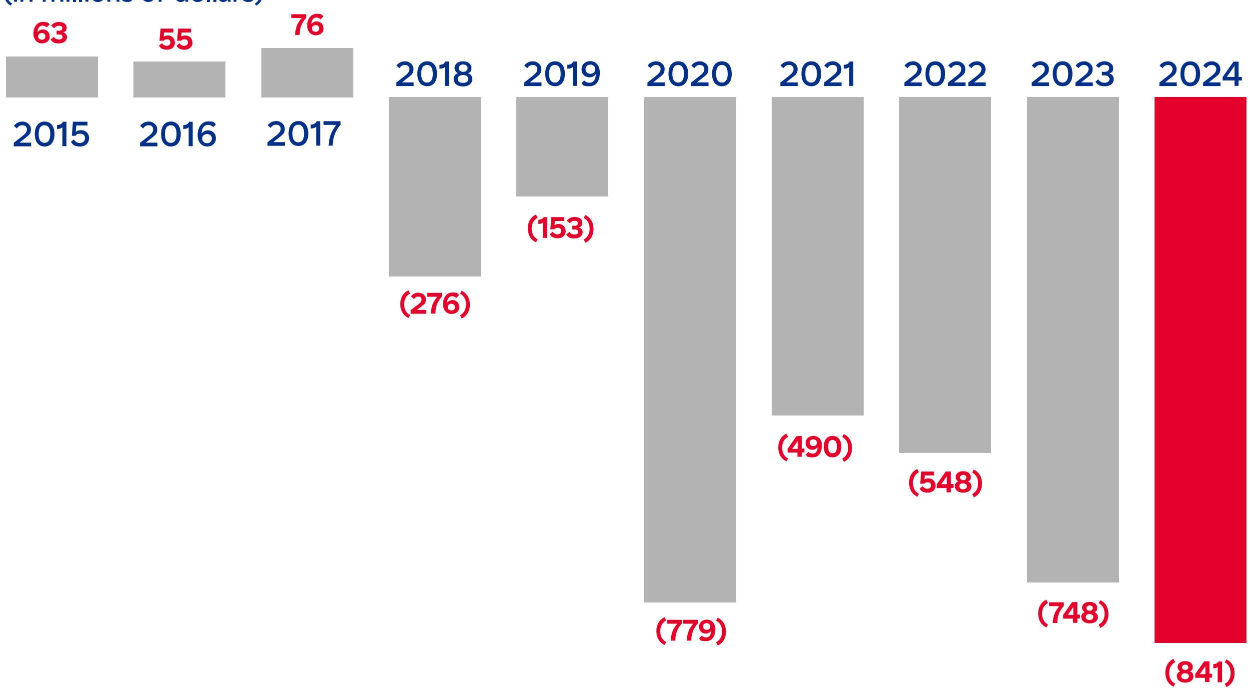
Canada Post has recorded seven consecutive years of significant losses. These losses have been fuelled by rapid changes in the postal and parcel delivery sectors, along with outdated operating, regulatory and policy parameters that impede the company's ability to evolve and compete.

In 2024, Canada Post recorded a loss from operations of nearly $1.3 billion. The loss from operations excluded non-recurring gains and dividend income from the divestitures of SCI Group Inc. and Innovapost Inc. in the first and second quarters, respectively, of the year. Since 2018, Canada Post's cumulative losses from operations are more than $4.5 billion.

Overall, the Corporation recorded a loss before tax of $841 million in 2024, widening by $93 million from the $748-million loss before tax in 2023. The loss before tax factors in the non-recurring gains and dividend income from the divestitures of SCI and Innovapost. From 2018 to 2024, Canada Post lost over $3.8 billion before taxes. The status quo is clearly not an option, as our outdated operating, regulatory and policy framework must change.

Canada Post segment profit (loss) before tax

(in millions of dollars)



Preventing insolvency with repayable funding from the Government of Canada

To prevent insolvency in mid-2025 and ensure Canada Post can continue operating, the Government of Canada announced in early 2025 it would make available to Canada Post up to $1.034 billion in the government's 2025-26 fiscal year.

While the repayable funding is a temporary measure, it provides a much-needed financial bridge that maintains continuity of operations in the short term. The funding will ensure the continuity of postal services and continued stability for the workers who depend on their pay and benefits. Any cash provided will be on an as-needed basis to pay non-discretionary obligations.

The funding does not solve the Corporation's structural issues. Despite recent stamp price increases and other actions taken to control costs and increase revenues, Canada Post would fall below its necessary operating cash requirements in mid-2025 without the funding.

This short-term financing ensures Canada Post can continue to serve Canadians, while working with the federal government on the significant changes required to ensure the long-term viability of the postal system.

Financial impact of the labour disruption

The national strike by the Canadian Union of Postal Workers (CUPW) in the fourth quarter of 2024 was a challenging period for Canada Post, its employees and the millions of Canadians who rely on the postal service. Canada Post put forward fair and reasonable proposals for a more flexible delivery model that would better serve Canadians and help sustain the business – all while increasing wages, enhancing leave entitlements, and protecting the defined benefit pension and job security provisions for current employees.

However, the parties could not reach a resolution. The resulting 32-day national strike during the peak holiday season had a significant impact on the company's financial results, as operations ceased and customers shifted their deliveries to other carriers. Customer trust and loyalty was significantly eroded. Many customers who found other delivery providers have not yet returned to Canada Post – a financial impact that's expected to last well into 2025 and beyond.

The strike weighed heavily on the results for mail and parcels, and significantly affected the lines of business in 2024 (compared to 2023):

- Parcels revenue and volumes – which had already declined through the first three quarters – fell sharply for the full year largely due to the strike, declining by 20.3 per cent and 19.9 per cent, respectively.
- Transaction Mail revenue and volumes declined by 5.3 per cent and 9.3 per cent, respectively.
- Increased sales in Direct Marketing until mid-November were offset by the impacts of the labour disruption. Direct Marketing revenue declined by 3.0 per cent in 2024, while volume increased slightly by 1.8 per cent.

Overall, we estimate the labour disruption had a $693-million negative impact on revenue in 2024. While costs also fell sharply during the strike, the impact on revenue was substantially larger. As a result, the Corporation estimates the labour disruption contributed a net negative impact of $208 million toward Canada Post's $841-million loss before tax in 2024.

Liquidity and borrowings

In recent years, ongoing annual losses have required the company to tap into cash reserves to address the rising costs of meeting its universal service obligation, maintaining the network and preserving postal services for Canadians.

Canada Post needs financing of at least $1 billion in 2025 to pay off debt and sustain its operations. The Corporation welcomes the federal government's announcement of the repayable funding and may require additional short-term borrowing to remain solvent through 2025. Without the government funding, Canada Post expected to completely deplete its cash reserves by mid-2025. The funding will be critical to meeting a $500-million debt repayment due in July 2025.

As of December 31, 2024, the Corporation had loans and borrowings of nearly $1 billion. In its current financial situation and in the absence of changes to its outdated operating, regulatory and policy framework, the Corporation will need additional annual funding going forward to maintain operations and meet employee obligations.

The Great Mail Decline continues

The ongoing, steady decline of letter mail, combined with the country's increasing number of addresses, is one of the key drivers of the Corporation's financial pressures. For more than a century, letter mail was the main source of revenue for the postal service. In 2006, letter mail volumes hit an historic high when we delivered almost 5.5 billion letters to Canadians.

Letter mail volumes have declined from 5.5 billion pieces in 2006 to 2.0 billion today

5.5B letters IN 2006

2.0B letters IN 2024

Since then, domestic letter mail volumes for the Transaction Mail line of business have declined by 63 per cent and associated revenue has fallen by 30 per cent. A system built to deliver 5.5 billion letters a year cannot be sustained on two billion letters. Canadians are seeing this sharp decline in their mailboxes. Back in 2006, Canadian households received an average of seven letters per week; today, it's two per week.

As our mail revenue declines, the cost of delivering keeps rising. We deliver to more locations each year, with over 200,000 new addresses added annually. In 2006, we delivered to 14.3 million addresses; in 2024, we delivered to 17.6 million – an increase of 3.3 million addresses. This combination of delivering fewer letters to more addresses every year is unsustainable, adding to our cost pressures.

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

7 letters per week IN 2006

2 letters per week IN 2024

A steady stream of parcels is needed to offset decline in letter mail

It costs significantly more to process and deliver parcels than mail. Parcels require more technology, equipment, scans and customer service support, and they take up more space in facilities and vehicles. It also often takes more time to deliver a parcel than a letter (the delivery agent may require a customer signature, for example).

In this way, Canada Post needs a steady stream of parcels to make up for the decline of letter mail. The parcel delivery business is intensely competitive, and the company has not secured the volumes it needs to financially sustain the business. While the ecommerce market is our biggest growth opportunity, our success has been limited because we do not have the ability to go head to head with the competition. With a rigid, outdated structure and operating model in a competitive market, our Parcels business is not offsetting losses from Transaction Mail.

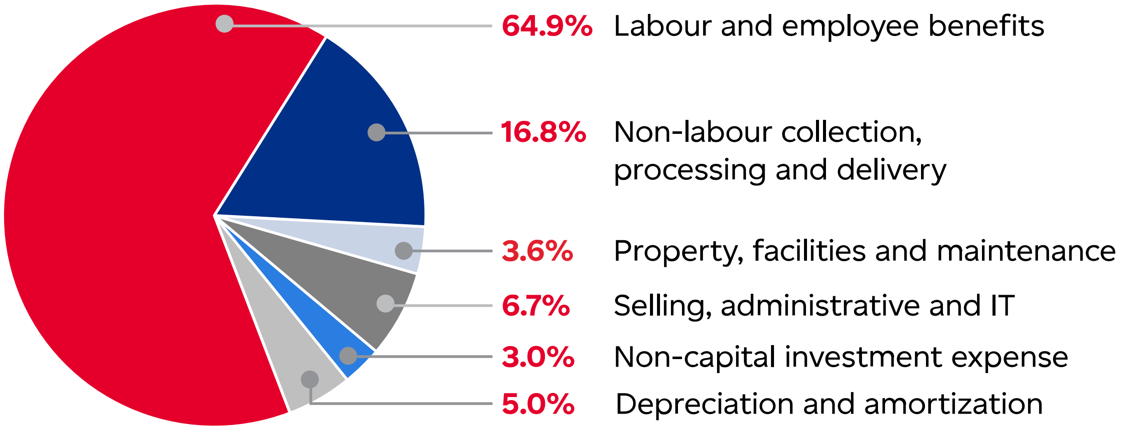
Cost of operations

Without the labour disruption, operating costs were on track to rise in 2024 compared to 2023. However, largely due to the strike, the Corporation's operating costs declined by 5.3 per cent compared to the previous year.

Canada Post's labour costs remain significant. Labour represents by far the largest portion of the company's overall operating expenses. In 2024, labour and employee benefits represented 64.9 per cent of total operating expenses. Over the year, the Corporation spent more than $10 million per day on labour costs, excluding benefits. Labour costs have continued to rise over time, primarily due to wage increases and the company's outdated operating model.

Non-labour collection, processing and delivery costs were 16.8 per cent of total operating expenses in 2024, while non-capital investment expenses were 3.0 per cent and capitalized investment expenses (depreciation and amortization) were 5.0 per cent.

Breakdown of operating expenses – 2024



While we have taken significant action to address our financial crisis, there is only so much we can do on our own. Canada Post needs urgent changes to its operating model, collective agreements, and regulatory and policy framework to improve its financial situation and keep pace with the changing needs and expectations of Canadians and Canadian businesses.

A flexible delivery model
to serve Canada's evolving needs

A flexible delivery model to serve Canada's evolving needs

Throughout its long history, Canada Post has constantly evolved to keep pace with the changing needs and expectations of Canadians. Over the last two decades, our country has transitioned from an era of peak mail in 2006 to one defined by digital communication. As Canadians began receiving less mail and more parcels from online shopping, we pivoted to serve their changing mailing habits.

This early-mover status in the parcel market made Canada Post the country's leading ecommerce delivery company, at one point delivering two out of every three online purchases. By 2019, the Parcels business represented the largest share of Canada Post's revenue. It was during that same year that we initiated a comprehensive transformation plan, designed for ecommerce growth.

The shipping and mailing needs of Canadians have changed

In just the last few years, the shipping and mailing needs of Canadians have undergone a generational shift – at a pace not seen before in our history. The COVID19 pandemic drove a sudden and sustained ecommerce boom. As the country emerged from the pandemic, changes in the competitive delivery landscape rapidly accelerated.

Today, the parcel delivery market faces intense and growing competition from global corporations and nimble delivery providers with low-cost labour structures. In this post-pandemic competitive climate, it's about more than just getting your item – it's about speed, price, convenience and so much more. It's a fight for every parcel, and Canada Post's legacy operating model and collective agreements – built for a bygone era of letter mail – are pushing it to the sidelines.

An outdated delivery model

Canada Post's outdated delivery model faces existential challenges. The current model is rigid and inefficient. It's hindering the company's ability to compete, grow its business and be financially self-sustainable. Resistance to change by successive governments and Canada Post's largest union has led the company to the verge of financial insolvency.

Delivery routes are fixed and based on a set number of addresses to visit, rather than volume delivered, which limits Canada Post's ability to respond to changing customer demands. The current system doesn't efficiently account for daily fluctuations in volumes or easily allow the company to balance out the workload among delivery employees during scheduled hours. This results in inefficiencies, such as unproductive paid time for some employees who have less volume to deliver and unnecessary overtime for others who have larger volumes. Under this model, the company incurs significant overtime costs to provide evening and weekend delivery services. It's unaffordable and unsustainable.

To capture changes in addresses, volumes and workload on delivery routes, Canada Post has a process to restructure routes in accordance with its collective agreements with the Canadian Union of Postal Workers (CUPW). However, restructuring a delivery route often takes several months to complete, and it can take anywhere from three to five years before that same route is restructured again. Also, the restructure process relies on volumes from the previous four years, rather than forecasting projected volumes based on the rapidly fluctuating marketplace. This route restructure process makes it ineffective in the fast-paced parcel delivery market, where volumes can change significantly on a weekly, monthly and even daily basis. This is compared to our competitors, who use sophisticated technology to design and adjust routes daily, maximizing their efficiency and speed while minimizing cost.

We continue to work with our bargaining agents, particularly CUPW, to achieve greater flexibility in the way we deliver. This is essential to provide cost-effective, seven-day-a-week services that meet the ecommerce needs of Canadians – and to help the Corporation return to financial self-sustainability.

Flexibility is required in collective agreements

Canada Post's collective agreements with CUPW contain requirements and restrictions that were added decades ago when the postal service had a large and steady stream of mail to deliver. While mail volumes are now a fraction of what they were, it has been extremely challenging to negotiate measured changes to the collective agreements, despite multiple attempts to do so. Today, the agreements significantly limit the postal service's ability to meet the dynamic needs of Canadians and Canadian businesses – including offering affordable evening and weekend parcel delivery.

The Corporation provides parcel delivery services from Monday to Friday (except in limited situations), whereas many competitors deliver seven days a week. Canada Post is also an outlier on weekend delivery compared to other large postal services around the world. Currently, we cannot offer customers affordable weekend parcel delivery, causing us to also lose some weekday business from customers, especially on Fridays. Without a viable weekend solution, we cannot practically compete on weekends and will continue to lose customers during the week, further eroding our share of the delivery market.

The current delivery and staffing model in the agreements is inflexible and makes it difficult to adapt to changing customer demands. It hinders the company's ability to schedule part-time delivery employees based on fluctuations in volumes. It's critical that we start to realign the post office to the realities of today's marketplace. However, Canada Post does not aspire to the contract-labour model used by many of the new, low-cost privately owned delivery companies. The Corporation remains committed to providing good jobs with benefits, and fair and safe employment for Canadians across the country.

Changing market dynamics challenge Canada Post's future

It's clear that changes are needed in how we deliver. The markets in which Canada Post operates have experienced fundamental, long-term and irreversible changes. The seismic shift from mail to parcels means that letter mail volumes alone can no longer sustain the postal network. At the same time, the growing competitive pressures in the delivery market – combined with Canada Post's uncompetitive and inflexible labour costs – mean that our Parcels business cannot offset losses from providing essential services like letter mail.

These challenges have accelerated in recent years and show no signs of slowing down. With an outdated delivery and staffing model, Canada Post continues to struggle competitively and financially. These issues have contributed to losses totalling more than $3.8 billion before tax since 2018, and they are threatening the Corporation's ability to meet its obligations to Canadians.

Canada Post's ability to invest in the future of the postal service and return to financial self-sustainability hinges on substantial modifications to its collective agreements. We need flexibility to fight for our future.

A parcel market share in rapid decline

Due to restrictions in its operating model and collective agreements, Canada Post cannot keep pace with the competition. As a result, the Corporation's share of parcel delivery has plummeted from nearly two thirds of the market before the pandemic to less than a quarter today. It's down from 62 per cent in 2019 to just 24 per cent in 2024 prior to the labour disruption.

With parcels making up approximately half of Canada Post's revenue – and helping sustain much of its national operations – it's critical that the postal service remains competitive in the parcel delivery market.

Heightened customer expectations

In today's ecommerce market, Canadians have higher expectations for service performance, delivery speed and flexible delivery options, including weekend, same-day and next-day delivery.

Established competitors and new entrants have both adjusted to the higher demand for fast, reliable deliveries, seven days a week. They've capitalized on the trend, especially in urban centres, capturing weekday and weekend market share from Canada Post. Already an important segment of overall deliveries in Canada, weekend delivery is expected to continue growing as seven-day-a-week delivery becomes the norm for most Canadians.

The threat to Canada Post's business model

Regardless of their size, ecommerce merchants select delivery providers based on price, delivery speed, weekend delivery and reliable on-time service. These changing expectations have resulted in several market shifts that are threatening Canada Post's business model:

- **Increasing demand for weekend delivery** – Merchants and consumers are increasingly looking to have parcels delivered on weekends. Canada Post's current inability to offer affordable weekend parcel delivery leaves it largely shut out from this critical segment of the marketplace.
- **Localized delivery approaches** – Merchants store inventory closer to customers to reduce shipping times and costs. This challenges the economics of Canada Post's national delivery model, as regional, low-cost delivery companies offer highly competitive pricing.
- **Price shopping** – Merchants establish shipping contracts with multiple carriers to be in a position to select the best price for each parcel shipped. Carriers offering competitive pricing as well as weekend and evening delivery have a significant advantage on automated price-shopping platforms.
- **Rise of third-party platforms** – Third-party platforms like ecommerce marketplaces and shipping systems grant merchants access to heavily discounted and competitive shipping rates from multiple carriers, adding to the competitive pressures on Canada Post.
- **Dynamic pricing** – Competitors are investing in advanced data and technology to better understand market dynamics, network capacity and cost. This capability gives them the agility to offer optimal pricing for every parcel to maximize profitability and market share.

Importantly, our competitors do not share Canada Post's universal service obligation to serve all 17.6 million addresses in the country. They can make strategic business decisions about where and how to operate, based on dollars and cents. For example, they can focus on delivering exclusively in lucrative, high-density urban areas in Canada's largest cities. They can choose not to operate in areas that aren't profitable. Canada Post, on the other hand, must serve all business and residential addresses across the country.

Changes are needed to modernize Canada Post

Significant changes are urgently needed to modernize the postal system and address Canada Post's growing challenges. **The Corporation cannot rely on its current operating model and collective agreement rules that were designed for a bygone, paper-based era.**

To continue to fulfill its important service mandate for Canadians and meet their changing needs, the postal service requires greater flexibility to:

- Compete in today's growing, highly competitive parcel delivery business.
- Base its delivery routes on the parcel volumes that must be delivered each day.
- Offer weekend, evening and next-day delivery service at affordable rates.
- Schedule employees based on fluctuations in volumes.
- Design the network to be competitive locally and optimize delivery density for all products, seven days a week.
- Tailor letter mail delivery to the current and future expectations of Canadians.
- Leverage and adjust its workforce to improve productivity and match operational needs.
- Invest in the company, its network and people, and continuously improve service.

To sustain Canada Post as a service provider – and continue to serve the evolving needs of communities and businesses – the company must fund its universal service obligation through its Parcels business. Doing so requires significant changes to its delivery model and collective agreements.

More information on Canada Post's challenges and its proposed changes can be found in the company's submission to the Industrial Inquiry Commission. The Commission was established by the Minister of Labour to review the collective bargaining dispute between Canada Post and CUPW, as well as the Corporation's broader financial situation and competitiveness.

A modern regulatory and policy framework for a changing country

A modern regulatory and policy framework for a changing country

As a federal Crown corporation, Canada Post operates under a complex legislative, regulatory and policy framework that governs much of its operations across the country. This includes the *Canada Post Corporation Act* (enacted in 1981, revised statutes in 1985), which created the postal system as we know it today. Under the Act, Canada Post has a dual mandate to serve all Canadians and operate in a financially self-sustaining manner, based on revenue generated by the sale of products and services, not taxpayer dollars.

Over the last 40 years, successive governments have introduced several reviews, policies and regulations impacting Canada Post that were meant to ensure Canadians were well served by their postal service. However, the mailing and delivery needs of Canadians have changed significantly over the last four decades.

Outdated regulatory and policy framework

Today we operate with legacy regulatory and policy measures that are out of balance with the competitive realities of our industry. Much like our outdated delivery model and collective agreements, these legacy government measures limit our ability to change, compete and meet the evolving needs of Canadians. Together, they are constraining the Corporation, fuelling its financial crisis and making it impossible to find the balance required to meet Canada Post's dual mandate.

The rapid changes in our current environment have outpaced the regulatory and policy framework, adding to the substantial pressures on our business that we already face from restrictive collective agreements. Rushing to deliver a letter from Nova Scotia to British Columbia, for it to sit in a community mailbox for three days before a customer picks it up, no longer makes sense to Canadians today.

Changes needed to better serve Canadians

Urgent reviews and changes are required to the regulatory and policy framework to protect Canada Post's long-standing role as a vital national infrastructure for Canadians and Canadian businesses. Canada Post needs greater flexibility to respond quickly and align its services and rate-setting process with the changing needs of the company and country, while operating with modern regulatory checks and balances. This includes flexibility to tailor mail and parcel delivery to Canadians' current and future expectations, as well as greater autonomy to set regulated stamp prices.

Canadians expect Canada Post and the Government of Canada to work together as stewards of the national postal service. Together, we must ensure the postal system evolves to better reflect what Canadians need, where they live, how they shop and how they use the postal service.

To better serve the current and future needs of Canadians, and meet their expectations in a financially sustainable way, Canada Post requires the following:

- A timely and thorough **consultation and review of the *Canadian Postal Service Charter***. Significant changes are needed to update service standards and delivery frequency to match evolving expectations, and also transition from a proximity-based model for post offices to a modern model based on service and convenience.
- An updated process for calculating and implementing **regular letter mail price increases within a shorter timeline**, while ensuring proper consultation, government oversight and advance notice for customers.
- **Update or replace the moratorium on rural post office closures and conversions** with a modern policy framework that continues to protect rural service.
- **End the moratorium on community mailbox conversions**, which protects a costly, premium service for less than 25 per cent of Canadian addresses in established urban neighbourhoods. More than 70 per cent of addresses already receive delivery to a centralized location.

These reforms, discussed in greater detail below, would reflect the changing needs and mailing habits of Canadians and help put the postal service on a path to financial self-sustainability.

More information on these proposed changes can also be found in Canada Post's submission to the Industrial Inquiry Commission. The Commission was established by the Minister of Labour to review the collective bargaining dispute between Canada Post and the Canadian Union of Postal Workers (CUPW), as well as the Corporation's broader financial situation and competitiveness.

Canadian Postal Service Charter (2009)

The Government of Canada established the *Canadian Postal Service Charter* to lay out its expectations for Canada Post's service standards and how the Corporation provides postal services to Canadians. A review of the Charter is required by the government every five years. However, it was last done in 2018 and is overdue for review.

The Charter hasn't changed since it was implemented in 2009 – when letter mail was the Corporation's primary source of revenue – and has not evolved to keep pace with the changing needs of the country. The Charter reaffirms the government's commitment for Canada Post to operate in a financially self-sustaining manner while meeting the obligations and expectations set out in earlier directives.

For example, the Charter reinforces:

- Canada’s universal service obligation to serve all 17.6 million addresses and provide affordable postal services;
- The moratorium on rural post office closures and conversions;
- Letter mail to be delivered five days a week;
- Service expectations that Canada Post delivers letter mail:
  - within a community within two business days;
  - within a province within three business days;
  - between provinces within four business days.
- Post office coverage so that:
  - 98 per cent of consumers have a postal outlet within 15 kilometres of their home;
  - 88 per cent of consumers have a postal outlet within 5 kilometres of their home;
  - 78 per cent of consumers have a postal outlet within 2.5 kilometres of their home.

Delivery standards built for a previous era

The Charter sets delivery standards that were built when the country, and the economy, relied on letter mail. A letter from Halifax to Vancouver must be delivered within four business days, which means it must be sent by plane at a higher financial and environmental cost than by ground or rail.

When the Charter was passed in 2009, letter mail had started to decline but there was still enough volume to cover the cost of meeting these requirements. By 2018, this was no longer the case, and the company has reported significant annual losses since. Letter mail remains important, but the effort and cost required to deliver within the service standards no longer align with the expectations of Canadians receiving it.

The Charter also focuses on proximity-based service requirements for post offices, and doesn’t reflect changing demographics and population density based on census data. As a result, Canada Post can’t evolve the footprint and service offerings to align with Canadians’ needs, and where they work and shop – making it difficult to provide equitable service across Canada. The service requirements in the Charter, combined with restrictions from other regulatory and policy measures, mean we cannot ensure Canadians have the access they need to postal services.

A sustainable service tailored to today's needs

Canada Post believes the Charter should be updated to provide the Corporation with greater flexibility, while ensuring a sustainable service that is tailored to the needs of Canadians today. For example, the Corporation urgently requires changes that would allow it to do the following:

- Align the service standard and frequency to the revised needs of Canadians.
- Offer a base level of service (in terms of standards and frequency) to all Canadians, while providing Canada Post with the flexibility and discretion to outperform service standards or delivery frequency where it is advantageous, such as for parcel products.
- Transport, at its discretion, all products in a manner that Canada Post determines, whether that be by road, rail or air.
- Provide access to essential postal services through retail postal outlets and other solutions that, for example, include kiosks and self-service outlets.
- Provide equitable access to postal services to align with a community's needs, and redefine service accessibility to focus on Canadians' ability to access essential postal services, instead of metrics based on population and distance.
- Have autonomy to determine whether corporate-owned post offices are required in certain areas or whether dealer-owned post offices are more appropriate.

Regulated process for letter mail price increases

The *Canada Post Corporation Act* restricts Canada Post from increasing stamp prices without Governor-in-Council approval. In addition, under the policy framework established by the Government of Canada, the company also cannot increase stamp prices higher than the rate of the consumer price index (CPI) without Cabinet approval.

The mandated process for increasing postage rates is also lengthy and cumbersome. It can take up to nine months from the date Canada Post proposes a price increase to the date it takes effect. For the rate increases that came into effect in early 2025, Canada Post initiated the process in spring 2024. The proposed changes were then published in the *Canada Gazette* in early September 2024 and received final regulatory approval in late November 2024. The rate increases ultimately took effect on January 13, 2025.

The need for more pricing flexibility

The lack of flexibility in this process prohibits Canada Post from responding quickly and aligning its prices with a changing economic environment. While the CPI has increased, the company has not had enough flexibility to price stamp and letter mail products at rates that cover the cost of delivering the mail. At the same time, our delivery costs have continued to increase due to inflationary pressures and the growing number of addresses served.

While Canada's stamp prices have not kept pace with the rising cost of providing postal services, they are also underpriced in comparison with many other western postal administrations.

The erosion of revenue from domestic letter mail is further exacerbated by Canada Post's lack of pricing autonomy. For example, the current regulatory process resulted in postage rates being maintained at 2020 levels through 2023. As a result, stamp prices fell significantly behind the rate of inflation, which had a negative financial impact on the letter mail business and Canada Post overall.

The Corporation urgently needs a new, more flexible process for calculating letter mail price increases and implementing them in a timely manner, while ensuring customers receive proper advance notice to help them plan.

Moratorium on rural post office closures and conversions (1994)

We understand how important our network of post offices is to Canadians across the country, especially in rural and remote regions. However, the moratorium on closing or converting rural post offices has challenged Canada Post's ability to serve the changing needs of smaller, rural communities and is a root cause of some of the company's financial challenges.

The moratorium was adopted by the federal government in 1994 and is directly incorporated into the Charter. The moratorium prevents Canada Post from closing – or converting to dealer outlets – more than 3,400 current post offices that were identified as being in rural areas in 1994.

The restriction on converting corporate post offices to dealer outlets remains a financial challenge for the Corporation and can impact service to customers. Many of these traditional post offices are in areas that are no longer rural, and where other dealer options are available nearby. Managed by retail partners such as pharmacies, dealer postal outlets often provide better hours and more convenience for customers. They are also far less costly to operate.

The moratorium also means that Canada Post is only able to close a rural post office in situations outside of the Corporation's control. This can include the departure of a postmaster or changes to a property, such as a fire or the termination of a lease.

Need to keep pace with a changing Canada

Canada has changed dramatically since the adoption of the moratorium in 1994. In that time, the country's population has increased from 29 million to more than 41 million people. Many areas that were considered rural in 1994 are now part of cities or developed suburbs. For example, some corporate post offices covered by the rural moratorium are in communities no longer considered rural, such as Abbotsford, British Columbia; Gatineau, Quebec; and Richmond Hill, Ontario.

Today, Canada Post has more than 5,700 post offices across the country. Of those, over 3,100 post offices (55 per cent) are in designated rural areas and slightly more than 2,500 (45 per cent) are in urban areas. The moratorium was enacted to ensure that Canadians living in rural areas had reliable and convenient access to postal services, but it has not been updated to account for more than 30 years of urban sprawl. As a result, Canada Post must maintain corporate post offices in areas that are now clearly urban with more service options nearby, which challenges the company's ability to invest and maintain services in underserved rural areas.

To keep pace with our country's changing demographics and the evolving needs of Canadians, Canada Post requires changes to the moratorium on rural post office closures and conversions. The Corporation needs a contemporary policy framework that:

- Ensures rural postal service continues to be protected, while basing service requirements on the most recent demographic and census data to determine what constitutes a rural area.
- Reflects that there are more convenient and cost-effective ways to serve Canadians than traditional corporate post offices. These include dealer post offices, regional community hubs and self-serve options.

Legacy regulatory and policy measures will produce urban-rural service gaps

We're doing our best to evolve and meet the changing needs of Canadians and Canadian businesses. But decades of legacy regulatory and policy measures, enacted by governments to protect the postal system, are now affecting our ability to serve everyone equitably.

- Canada Post is spending a disproportionate amount to service door-to-door delivery in established urban neighbourhoods – dollars which could be used to better serve the rest of the country.
- This imbalance is eroding our ability to properly serve rural, remote and northern communities as well as their small and midsize businesses that depend on us.

Moratorium on conversion to community mailboxes (2015)

Less than a quarter of Canadian addresses currently receive letter mail at their door. For the past 40 years, homes built in new developments have received delivery to a community mailbox. As a result, more than 70 per cent of Canadian addresses now have some form of centralized mail and parcel delivery, such as community mailboxes, apartment lobby lockboxes, group mailboxes or postal boxes.

In 2015, the federal government implemented a moratorium that stopped the conversion of home delivery to community mailboxes, and then enshrined it as policy in 2018. The decision means approximately one in four Canadian addresses, mostly in established urban neighbourhoods, continue to receive letter mail delivery at the door – the most expensive delivery method per address.

It costs 78 per cent more to deliver door to door than to a community mailbox: $279 a year per address, compared to $157. That means almost 40 per cent of the annual cost of serving all Canadian addresses is spent on door-to-door service for less than a quarter of them.

Door-to-door delivery adds to costs

- It costs 78 per cent more to deliver door to door than to a community mailbox: $279 a year per address, compared to $157.
- Almost 40 per cent of the annual cost of serving all Canadian addresses is spent on urban door-to-door delivery for less than a quarter of them.

The benefits of community mailboxes

As Canadians increasingly shop online and rely more on parcel delivery and less on letter mail, community mailboxes are a more practical delivery option than they were 10 years ago. For customers, parcels delivered to community mailboxes are more secure and safe from "porch pirates." Canadians can securely pick up their packages and mail at their convenience.

We also understand that some seniors and other Canadians with functional limitations need viable alternatives to community mailboxes. Canada Post's delivery accommodation program offers a variety of accommodations to help them access their packages and mail. These include mailbox key turners, sliding mail trays, adjustments to mailbox compartments, Braille markings and others. In some cases, we provide home delivery where it's difficult for customers to get to their mailbox. The delivery accommodation program now supports Canadians at close to 17,000 addresses, with more added each year.

For Canada Post, delivering to community mailboxes significantly reduces labour costs while improving convenience for customers. We've also seen that delivery to community mailboxes improves employee safety compared to door-to-door delivery.

Canadians and the postal service would both be well served by having the government end the moratorium on community mailbox conversions. The current system protects a premium, high-cost service for less than a quarter of Canadian addresses, while adding to the significant financial pressures on Canada Post.

Taking action

Canada Post's core business is delivery. Like postal services around the world that are evolving their delivery approach to respond to changing customer needs, Canada Post must also change. We must evolve to be better equipped to stand on our own, while meeting the dynamic needs and expectations of Canadians.

The Corporation has acted decisively in recent years to confront the challenges of a changing Canada. While the postal service cannot solve everything on its own, it has taken important steps to be more competitive and deliver more for businesses in today's ecommerce delivery market. We've invested in parcel delivery and carefully managed the postal service to ensure it's here to serve all Canadians – how they want and need to be served – today and into the future.

Responding to the pandemic ecommerce boom

Prior to the COVID-19 pandemic, Canada Post had already shifted its business focus to parcels. We clearly saw that letter mail was continuing its decline and parcel deliveries continued to grow. We were the country's ecommerce delivery leader, at one point profitably delivering two out of every three packages bought online.

When the pandemic arrived, ecommerce exploded and demand for parcel shipping rapidly accelerated. It was the new norm, and the company pivoted. We began a significant transformation to reposition the company and seize the ecommerce growth opportunity. To handle the significant and sustained growth in online shopping, the company made targeted, strategic investments in new processing capacity and facility upgrades across the network.

Transforming to meet the needs of a changing Canada

Our transformational investments allowed us to compete with global giants and new market entrants for ecommerce deliveries. These strategic investments enhanced service, increased processing capacity and upgraded technology – all while improving employee health and safety.

In the fall of 2023, we officially opened the Albert Jackson Processing Centre in northeastern Toronto. It is our largest, fastest and greenest parcel sorting plant and a critical hub for our entire national network. We also invested in new sorting equipment and upgraded facilities at other locations across the country.

In 2024, these investments helped improve service for Canadians and businesses by producing the best on-time parcel delivery results in the company's history, while maintaining focus on our highest priority – employee safety.

Shifting focus to urgent priorities

For an organization like Canada Post, with national infrastructure and a large and complex network, a minimum level of investment is required to maintain operations. Canada Post's strategic investments were crucial to be a player in the ecommerce delivery market, but our legacy models and structures continue to hold us back in a competitive delivery landscape. In 2024, as the company's financial situation became more critical, many investments were paused or significantly scaled back.

We focused our investments during the year on essential priorities needed to deliver consistent service to Canadians, keep our people safe and avoid further market-share deterioration. We delayed planned investments in our processing network in Vancouver, Ottawa and other regions. We also paused spending on some customer experience projects and social and environmental initiatives, including deferring the purchase of additional electric vehicles and the associated infrastructure.

Preserving cash and managing costs

To help preserve cash and address the deteriorating financial situation, the Corporation has cut costs within its control and focused on operating more prudently. Measures in 2024 and the first quarter of 2025 included:

- Imposing strict limits on external hiring and expenses such as travel, consulting and contracted services.
- Cutting positions at management and executive levels.
- Improving productivity and adjusting staffing to volume wherever possible, by working with our unions and as allowed by our collective bargaining agreements.
- Continuing to focus on increasing revenue wherever possible.

We continue to look for efficiencies without impacting service. Our teams are always seeking new revenue opportunities connected to our core responsibility – delivering for all Canadians.

Postage rate increases

Canada Post has also taken steps to increase regulated postage rates to better align prices with the rising cost of providing letter mail service – but the process is lengthy and cumbersome. The *Canada Post Corporation Act* restricts Canada Post from increasing stamp prices without Governor-in-Council approval. It can take up to nine months from the date Canada Post proposes a price increase to when it takes effect. Also, under federal government policy, the Corporation cannot increase stamp prices higher than the rate of the consumer price index without Cabinet approval.

Every year, there are fewer letters to deliver to more addresses, which adds significant cost pressures to the Corporation on top of continued inflationary pressures. While rate increases are necessary, Canada Post understands that they mean additional costs for its customers and all users of the postal service. Where possible, the Corporation has worked to minimize the impact of price increases.

In February 2024 and again in September 2024, Canada Post published in the *Canada Gazette* proposed increases to postage rates that were later approved by the Governor in Council. The approved rates increased postage prices by about 7.5 per cent in May 2024 and about 25 per cent in January 2025. Today, the price is $1.24 per stamp for those purchased in a booklet, coil or pane, which is how most stamps are sold.

These two rate increases provide important additional annual revenue from the Corporation's regulated and non-regulated postal products, and they will help mitigate the impact of declining Transaction Mail revenue. Despite these increases, Canada Post's exclusive privilege to deliver letters does not generate enough revenue to cover the increasing cost of providing postal services to all Canadians.

Strategic divestitures

In 2024, as part of its efforts to focus on providing a modern postal service, Canada Post divested 100 per cent of the shares of two subsidiaries and continued to transform its outdated information technology (IT) systems and capabilities.

In March 2024, the Corporation completed the divestiture of SCI Group Inc., a leading Canadian third-party logistics provider. Innovapost Inc., its IT shared-service provider, was divested in April 2024 to a strategic partner that provides IT services to Canada Post. As part of the Innovapost divestiture, the Corporation brought strategic IT capabilities in-house to deliver new digital products and services to customers faster.

These transactions have allowed Canada Post to focus its resources on better serving Canadians and helped position the company for growth in the ecommerce market. While the one-time divestitures were important to provide needed cash and cost savings, they did not come close to offsetting the company's 2024 financial loss or deteriorating liquidity position.

Why Canada needs a postal service

Canada Post is a lifeline for many Canadians, businesses, organizations and communities in every corner of our vast country. We're Canada's delivery infrastructure, with an unrivalled network that reaches all 17.6 million residential and business addresses from coast to coast to coast.

Canada needs a postal service that is there for the entire country, especially those who need it most – small and midsize businesses and Canadians in rural and remote communities. At a time when punishing tariffs threaten our economy, Canadians and Canadian businesses need a delivery partner that's on their side and offers affordable service. As privately owned delivery companies seek large volumes from global retailers and focus on urban centres, Canadian entrepreneurs and consumers need a partner that gives them choice and goes to every community. That partner is Canada Post.

Throughout our long history, we've been there to support our country by serving all Canadians, connecting communities and strengthening the national economy. It's a long-standing duty that we're proud of and one that still holds true today. We deliver essential goods and services to Canadians and open doors for businesses of all sizes. We're the only delivery company with the people, network and commitment to deliver to all of Canada.

Ready to do our part for Team Canada

A national postal service isn't just about delivering mail and parcels. It's about connection, economic opportunity and prosperity. It's about making sure Canadian businesses have a fighting chance at home and abroad, and that no Canadians get left behind.

The threat of tariffs and other trade uncertainty means Canadians are looking to rely on each other more than ever. They want to support Canadian companies and shop locally. Canada Post is ready to do its part. We're proud to have a role in a Team Canada approach to respond to any sudden impacts to the Canadian economy.

In communities across the country, our employees proudly deliver for Canada using a national infrastructure built over the past century for the benefit of all Canadians. We have the largest retail network in the country, with more than 5,700 post offices – over half of them in rural and remote areas that are not well served by many other carriers. We're built to deliver to all Canadians. We're a wholly Canadian-owned and managed company, whereas most of our major competitors are foreign-owned and based.

A national delivery partner that puts Canadians first

We understand the negative impacts that our recent labour disruption had on Canadians, and we're working hard to ensure we're there for the entire country now and in the future. While the disruption in service was unfortunate, it reinforced that a strong, national postal service is essential for Canadian prosperity. We heard firsthand about how we're essential for small businesses; rural, remote and Indigenous communities; charities; seniors; and vulnerable Canadians.

> "… Canada Post Corporation is viewed as a critically important partner and channel by retailers. This is true [among other things] with respect to parcel pick-up and delivery, delivery of marketing materials and letter mail, provision of PO Boxes, and business solutions. Simply stated, the cessation or serious interruption of operations by Canada Post is viewed as a seismic event by retailers and our customers."
>
> – **Retail Council of Canada** (submission to Industrial Inquiry Commission)

As the country faces new pressures and economic uncertainty outside its control, Canadians and Canadian businesses need a delivery provider that will put their interests first and deliver everywhere – not just where it's most profitable. Canada Post is on their side.

Supporting Canadian businesses during uncertain economic times

Small businesses are the backbone of our economy, driving innovation, entrepreneurship and prosperity in communities across Canada. Yet they face enormous challenges competing against multinational retail giants and dealing with great uncertainty over the threat of tariffs. Canada Post is a national equalizer for small businesses, especially as they look to buy and sell within Canada. We open their sales to every doorstep and help level the playing field so they can compete:

- We support almost half a million small businesses in Canada.
- A majority of our small business customers are micro-businesses with less than $1 million in revenue and fewer than 10 employees.
- More than 20 per cent of our small business customers are in rural Canada.
- Almost 60 per cent of small business customers transact at one of our retail outlets.

A reliable, more affordable delivery partner

A national postal system is critical to ensuring small businesses have a reliable, more affordable delivery partner to reach customers at home and abroad. It also acts as a shield against tariffs by reducing barriers to internal trade and supporting domestic supply chains.

> "Canada Post's existence ensures that SMEs (small and medium-sized enterprises) across the country can access mail and parcel services. Its competitive prices ensure that mail services are accessible to most. Other providers... are generally more expensive and don't cover all regions of the country themselves."
>
> – **Canadian Federation of Independent Business**, which represents more than 100,000 Canadian SMEs (submission to Industrial Inquiry Commission)

At a time when Canadians increasingly want to shop locally, our direct mail business also supports Canadian merchants. Direct mail – such as coupons and flyers – puts a company's message, offer or promotion directly into the hands of prospective customers and brings people in the doors of local businesses and to their websites.

As private delivery companies chase high-volume contracts with global retailers for profit, Canada Post stands with Canadian small businesses. We aim to be their trusted partner during uncertain times – made in Canada, for Canadians. Entrepreneurs in our country need this choice when it comes to their ecommerce delivery provider.

A lifeline for rural, remote and Indigenous communities

Canada Post provides all communities – rural, remote, Indigenous and urban – with affordable, reliable services when and where they need them. We're a lifeline to several parts of the country and often the only delivery provider for Canadians in rural, remote and Indigenous communities. We're proud to serve Canadians and businesses no matter where they're located, providing them access to commerce and customers across the country and around the world.

> "Canada Post serves as our primary and most affordable shipping option, especially given our remote location… Unlike businesses in urban centres, we have no alternative shipping providers that offer comparable affordability or reach. Ensuring reliable and uninterrupted service is critical for us and other businesses in rural and remote areas."
>
> – **Bean North Coffee Roasting Co. Ltd.**, Whitehorse (submission to Industrial Inquiry Commission)

While many privately owned carriers focus on urban centres, Canada Post ensures every community has access to critical goods, medical supplies, ecommerce merchants and government services through the mail – regardless of distance.

We have more than 310 flights per week to northern and remote communities through contracted air service providers.

Rural, remote and northern communities, with their lower population densities and distance from large urban centres, tend to be viewed as costly from a delivery perspective. We are proud to deliver to remote communities that are only accessible by air for a large portion of the year:

- We serve nearly 150 remote and northern communities that can only be reached by air, with more than 310 flights per week through contracted air service providers.
- In many parts of the country, we deliver a significantly higher proportion of parcels to rural and remote areas.
- Many large delivery companies rely on Canada Post to make their last-mile deliveries in these smaller communities.

The financial and structural challenges threatening Canada Post also pose a significant threat to rural, remote and Indigenous communities. A strong and sustainable postal service is needed to continue to deliver for them. Canada Post must have the flexibility to evolve, ensuring it remains a trusted, reliable and affordable partner for those who depend on it most.

An essential partner for charities

Our national network also makes a difference in communities across the country by supporting those who help and support others. That's because Canada Post is a critical vehicle for charities, big and small, to connect directly with supporters and solicit vital donations.

Supporting the places we call home

Canada Post is one of the country's largest employers. Our more than 62,000 employees – including over 17,000 in rural Canada – contribute to the communities where they live and work. We provide good-paying jobs with benefits, built around a culture where safety is our highest priority.

Conclusion

Canada Post is built to serve the entire country and is proud to do so. But the postal service faces existential challenges that limit its ability to evolve and compete. The status quo has led Canada Post to the verge of financial insolvency.

Urgent changes are needed to modernize and preserve the postal service. Otherwise, this important publicly owned national infrastructure will struggle to serve the entire country, especially those who need it most – small and midsize businesses as well as Canadians in rural and remote communities.

The continued decline in letter mail, fierce competition in the post-pandemic delivery landscape, and outdated operating, regulatory and policy parameters are threatening the future of the postal system. Since 2018, Canada Post has lost more than $3.8 billion before tax. Without significant changes, larger and unsustainable losses are forecast in future years.

Much of the company's current operating, regulatory and policy framework was put in place decades ago, when mail was its primary source of revenue. However, letter mail volumes and revenue have been steadily declining for almost two decades. In 2006, the year Canada hit peak mail volumes, we delivered almost 5.5 billion letters. In 2024, we delivered two billion letters – and that erosion will continue.

Today, parcel delivery represents approximately half of Canada Post's business, and with the Canadian ecommerce market expected to double over the next decade, it's the foundation for the Corporation's future. Canada Post needs flexibility and autonomy to compete in today's ecommerce delivery market and to continue to serve all Canadians how and where they want.

Doing so requires broader reforms to Canada Post's delivery model, collective agreements, and its regulatory and policy framework, while ensuring the appropriate checks and balances are in place. A modern Canada Post will be able to continue serving the changing needs of Canadians and Canadian businesses – and return the postal service to financial sustainability, without burdening taxpayers.

2024 Annual Report

Chair’s message

Chair’s message

Canada Post has an important and long-standing responsibility – a duty, in fact – to continue to evolve and serve the changing needs of our country. It has been a hallmark of the postal service for well over a century.

Adapting to change is also essential for the company to continue to operate on a user-pay model and stand on its own financially, as it has for decades. But as we saw in 2024, Canada Post continues to be hampered by outdated operating, regulatory and policy constraints that impede the Corporation’s efforts to transform. Instead of moving forward, the company is being held back.

These various restrictions, combined with the ongoing decline in letter mail and growing competition in parcel delivery, are threatening the future of the postal service.

A challenging year

Many of these same issues were at the centre of Canada Post’s labour disruption late in the year, which had a significant impact on the Corporation, its employees and millions of Canadians. The company understands the significant work that’s needed to rebuild trust with Canadians, and it is committed to being there for them in the future.

On behalf of the entire Board of Directors, I want to thank Canada Post’s employees for their dedication, hard work, perseverance and resilience through this challenging time. Our employees are proud to serve Canadians and their communities across the country. I also want to thank our customers for choosing Canada Post. We appreciate their business and patience as we work to resolve our labour situation.

Urgent changes are needed to preserve this critical national infrastructure

While the Corporation's financial challenges have been building for a few years, they have now reached a critical point, compounded by the labour disruption. The Board and senior management understand that Canada Post's deteriorating financial position is unsustainable. The company is on the verge of insolvency. The Corporation can't continue operating within the same restrictive parameters if the situation is to improve.

The Board, in its oversight role, has an important responsibility to ensure that Canada Post reflects the priorities of Canadians and its shareholder, the Government of Canada. In early 2025, the government reaffirmed that the Corporation "must be put on a path to viability." With this in mind, the Board remains focused on Canada Post's dual mandate to serve every Canadian address and be financially self-sustainable, without burdening taxpayers.

Now, more than ever, urgent changes are needed to modernize and preserve this critical national infrastructure. This is an important opportunity to strengthen the postal service for the benefit of the entire country.

The Board fully supports management's efforts to modernize Canada Post

The Board and management are fully aligned on the significant reforms needed to better serve the changing needs of Canadians and Canadian businesses – and do so in a financially sustainable manner. Canada Post is committed to leading this change to modernize the postal service.

Management has taken important steps in recent years so the company can deliver more for Canadians and businesses in today's ecommerce delivery market. These investments have improved service across the country: in 2024, Canada Post had the best on-time parcel delivery results in the company's history. That is a strong foundation to build on.

Carefully managing the postal service

To address the deteriorating financial situation, the Corporation has also cut costs within its control and focused on operating more prudently. These measures have included imposing strict limits on external hiring and expenses as well as cutting positions at management and executive levels.

The company continues to look for efficiencies without impacting service, while focusing on increasing revenue.

Seizing the opportunity ahead

While letter mail remains an important source of revenue for Canada Post, parcel delivery is the foundation of the company's future growth and success. The Canadian ecommerce market is expected to double over the next decade, providing an enormous opportunity for the Corporation.

But in today's competitive delivery landscape, the company must adapt to changing customer demands and service expectations – including offering affordable evening and weekend parcel delivery – if it's to seize this opportunity. The Corporation is working hard to grow the business, yet there is only so much it can do on its own. The constraints Canada Post faces are out of balance with the competitive realities of the industry.

As outlined in this report, Canada Post requires greater flexibility in its delivery model, collective agreements, and regulatory and policy framework to align its services to the needs of a changing Canada and return to financial self-sustainability. This includes flexibility to: better compete in today's highly competitive parcel delivery market, tailor mail delivery and post office operations to Canadians' current and future expectations, and implement regulated stamp price increases in a timely manner.

Historic moment to redefine the future of the postal service

Together, Canada Post, its bargaining agents and the Government of Canada have an historic opportunity – and a responsibility – to strategically reposition the postal service and secure its future.

If we fail to act, this critical national infrastructure will fall further behind. It will continue to struggle, with a risk of becoming irrelevant and insolvent. It's essential that we move with urgency to modernize and preserve the postal service so that it continues to meet the changing needs and expectations of Canadians for decades to come.

André Hudon

André Hudon
Chair of the Board of Directors

Corporate governance

Strong oversight to help secure a stronger postal service

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

The Board holds management accountable for its business performance and strategic objectives, with a particular focus on the Corporation's future viability and financial self-sustainability. As of March 27, 2025, the Board has 10 members, including the President and Chief Executive Officer (CEO), all of whom are appointed by the Governor in Council. The Board or its committees met 23 times in 2024.

The Board exercises due diligence over:

- Strategic initiatives and corporate plan;
- Service and operational performance;
- Internal controls and financial reporting;
- Major contracts, investments, acquisitions and divestitures;
- Recruitment of senior officers;
- Health and safety, labour and compensation management;
- Environmental, social and governance (ESG) strategy and priorities; and
- Effective reporting to the shareholder.

Providing strategic guidance on Canada Post's priorities

In 2024, the Board provided oversight and direction on key initiatives that included:

- Approving the next five-year corporate plan, as is required of Crown corporations;
- Approving the first annual report on Fighting Against Forced Labour and Child Labour in Supply Chains; and
- Reviewing and providing feedback on the Corporation's ESG and net-zero strategies.

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

- Providing a service all Canadians can count on – including better serving Canada's growing need for parcel delivery;
- Fulfilling our commitment to social and environmental leadership; and
- Doing right by our people – which includes our responsibilities for health and safety, building alignment with our bargaining agents, and ensuring our workforce reflects Canada and the priorities of Canadians.

Board composition and renewal

2024 saw two major changes for the Board of Directors:

- André Hudon was appointed the new Chair of the Board following Suromitra Sanatani's departure; and
- Melissa Sonberg was appointed as the Board's new Vice-Chair and also Chair of the Human Resources and Compensation Committee.

Diversity continues to be a key consideration in the Board renewal process. The Board is near gender parity and includes Indigenous representation among the current slate of directors.

Independence of the Board

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

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

Committees of the Board

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

Board effectiveness

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

Subsidiaries

In 2024, Canada Post divested two of its subsidiaries – Innovapost Inc. and SCI Group Inc. – in separate transactions. The divestitures allow Canada Post to focus on its core mandate of providing a modern postal service.

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

Governance in principle

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

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

2024 Annual Report

Board of Directors

Board of Directors

André Hudon

Notre-Dame-de-l'Île-Perrot, Quebec

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

Member since May 2018

Doug Ettinger

Ottawa, Ontario

President and CEO

Member since March 2019

Louise Champoux-Paillé

C.M., C.Q.
Montréal, Quebec

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

Member since October 2022

Krista Collinson

Caledon, Ontario

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

Member since July 2021

Ron Cuthbertson

Chesley, Ontario

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

Member since March 2022

Ricky Fontaine

Québec, Quebec

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

Member since April 2023

Claude Germain

Oakville, Ontario

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

Member since May 2018

Ann MacKenzie

Halifax, Nova Scotia

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

Member since July 2021

Tom Ruth

Kelowna, British Columbia

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

Member since April 2023

Melissa Sonberg

Montréal, Quebec

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

Member since April 2023

As of March 27, 2025

2024 Annual Report

Officers of the Corporation

Officers of the Corporation

Doug Ettinger

President and Chief Executive Officer

Franco Chirichella

Chief Information Officer

François Couture

Chief People and Safety Officer

Nathalie Delisle

Chief Legal and Corporate Affairs Officer

Rindala El-Hage

Chief Financial Officer

Manon Fortin

Chief Operating Officer

Rod Hart

Chief Customer and Marketing Officer

Nish Anjaria

Vice-President, Technology, Innovation Strategy and Architecture

Daniel Beaulne

Vice-President, Health and Safety

Alexandre Brisson

Vice-President, Engineering

Michael Butera

Vice-President, Pension Fund and Chief Investment Officer

Carrie Chisholm

Vice-President, Product Management and Customer Experience

Jon Hamilton

Vice-President, Communications and Stakeholder Engagement

Alice Lafferty

Vice-President, Operations Excellence

Dan Michelone

Vice-President, Applications and IT Delivery

Serge Pitre

Vice-President, Business Development

Mike Shearon

Vice-President, Operations

Ian Stephenson

Vice-President, Corporate Strategy

Michael Yee

Vice-President, Retail Network and Services

As of March 27, 2025

Ombudsman's report

Ombudsman's report

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

In 2024, the total number of appeals received by our office decreased by approximately 15 per cent compared to the previous year. We received a total of 4,229 appeals in 2024, compared to 4,960 in 2023.

We attribute this decrease in the total number of appeals filed to three factors:

1. The Canada Post labour disruption, which started in mid-November and lasted more than a month, resulted in a suspension of mail delivery for the duration.
2. The reduced mail volume during the period preceding the labour disruption, as customers moved their mail to other delivery companies because they required certainty for their shipments over the holiday season.
3. We completed three internal initiatives meant to redirect customers to the right channel before reaching out to the Office of the Ombudsman.

In 2024, we executed in-depth investigations on 2,420 appeals compared to 2,374 in 2023, an increase of about two per cent. Two complaint categories represented 43 per cent of all investigations completed:

- Lost or missing mail.
- Customer deemed the compensation offered by Canada Post as unfair.

When compared to the previous year, 2024 saw small increases in complaints about lost or missing mail; damaged mail; issues with return-to-sender items; behaviour of customer service agents; requests for a change in mode of delivery; and mail delivered to the wrong address.

Preceding the labour disruption, we were satisfied with the level of proactive communications Canada Post did with commercial customers and the general marketplace to signal the status of negotiations.

Following the labour disruption, we handled several appeals from customers who were requesting varying levels of compensation because their parcels or direct mail campaigns were delayed when delivery was suspended.

Just over 40 per cent of the appeals received did not result in an in-depth investigation because customers withdrew their submission before our investigation concluded, or did not provide the necessary information and documents during the investigation, or reached out to us before Canada Post had the opportunity to fully address the complaint.

The number of appeals related to the *Canadian Postal Service Charter* decreased by about 20 per cent compared to the previous year. The top reported issues were missing or damaged items, and difficulty reaching customer service. Together, they represented 81 per cent of all appeals relating to the Charter.

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

Jean-Marc Nantais

Canada Post • Postes Canada
Ombudsman

2024 Annual Report

Canadian Postal Service Charter

Canadian Postal Service Charter

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

Our compliance to the Charter for 2024 is presented after each clause.

Preamble

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

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

Universal service

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

Our compliance:

All 17.6 million Canadian residential and business addresses were served, and international inbound and outbound services were offered to 192 countries.

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

Our compliance:

More than 8,200 rural and suburban delivery routes served approximately 5.7 million addresses. Of the more than 5,700 post offices located across Canada, more than half were in rural areas.

Affordable rates

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

Our compliance:

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

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

Our compliance:

On May 6, 2024, Canada Post's rate for stamps purchased in a booklet, coil or pane increased to $0.99 per stamp (up from $0.92), while the price of a single domestic stamp increased to $1.15 (up from $1.07). The cost of providing a postal service to all Canadians has been steadily impacted by inflation. This, combined with the fact that each year there are fewer letters to deliver to more addresses, has put considerable financial pressure on Canada Post. This increase helps Canada Post continue to meet its universal service obligation to offer an accessible, affordable and cost-effective postal service for all Canadians no matter where they live, and to operate on a self-sustaining financial basis.

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

Our compliance:

Changes to regulated postage rates in 2024 were published in the *Canada Gazette* on February 10, 2024, to allow for consideration of public input prior to final Governor-in-Council approval.

In September 2024, Canada Post published in the *Canada Gazette*, for public consultation, proposed rate increases to letter mail items, international letter-post items, and special services and fees to take effect in January 2025. Governor-in-Council approval of the new rates was required, and received, prior to them taking effect.

Frequent and reliable delivery

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

Our compliance:

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

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

Our compliance:

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

8. Canada Post will deliver letter mail:

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

Our compliance:

Overall on-time service performance for Domestic Lettermail delivery in 2024 (until the labour disruption) was 93.4 per cent, a decrease from 2023.

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.

Our compliance:

In addition to more than 5,700 full-service post offices and thousands of places to buy stamps, Canada Post offered access to online services anytime through its website and its apps, such as tracking a package, registering a change of address, purchasing postage, paying for duties and taxes, and obtaining photo confirmation of delivery.

Canada Post also provided more than 978,000 collection points where postal items could be deposited. This includes approximately 703,000 rural mailboxes, 223,000 community mailboxes, more than 23,000 street letter boxes, and 22,500 indoor parcel lockers, along with our postal outlets and other locations.

The Corporation also offered 196 parcel pickup locations, or post points, where customers can receive and induct parcels (including returns) and purchase prepaid shipping solutions such as flat rate boxes, prepaid envelopes and stamps.

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

Our compliance:

In 2024, 99 per cent of Canadians lived within 15 km of a postal outlet, 90 per cent within 5 km, and 78 per cent within 2.5 km.

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

Our compliance:

In 2024, personnel or infrastructure issues affected 218 post offices covered by the moratorium. In 113 cases, retail services to the community were maintained through staffing of vacancies, and in 37 cases, retail services were provided in a neighbouring community. Remaining cases are undergoing staffing actions or being reviewed through further community consultation. In all cases, delivery services for the community were maintained without disruption.

Secure delivery

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

Our compliance:

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

Community outreach and consultation

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

Our compliance:

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

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

Our compliance:

In 2024, no urban corporate post offices came under review, so there was no requirement to notify and consult with customers and communities.

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

Our compliance:

Canada Post held its Annual Public Meeting by live webcast on August 28, 2024.

Responding to complaints

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

Our compliance:

In 2024, Customer Service answered 2 million customer calls, and responded to more than 2.8 million customer inquiries created through online channels such as web, chat and email. In addition, customers were able to self-serve using Canada Post's online and voice virtual assistants, which handled a combined 5.3 million conversations.

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

Our compliance:

The Ombudsman is the final appeal authority in complaint resolution at Canada Post. More information can be found on the Office of the Ombudsman's website.

Reporting on performance

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

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

Our compliance:

Delivery method	Number of addresses[1]	Percentage of total addresses	Average annual cost per address[2]
Door to door	4,196,093	24%	$279
Centralized point (e.g., apartment lobby lockbox)	4,973,446	28%	$125
Group mailbox, community mailbox, kiosk	6,083,458	35%	$157
Delivery facility (postal box, general delivery)	1,652,810	9%	$61
Rural mailbox	703,428	4%	$271
All methods	17,609,235	100%	$173

1. As at December 31, 2024.
2. In 2024, delivery costs – including the total as well as the cost per address by delivery method – decreased due to the labour disruption late in the year.

Reviewing the Charter

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

Our compliance:

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

2024 Annual Report

Other public policy programs

Other public policy programs

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

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

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

Canada Post received a government appropriation of approximately $22 million in 2024 to help offset the financial impact of government mail and materials for the use of people who are blind or partially sighted.

Library materials

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

Canadian Forces Postal Service

We also offer free delivery of letters and Regular Parcel™ items to members of the Canadian Armed Forces deployed overseas during the holiday season. Since the inception of this service in 2006, we have delivered over 193,000 parcels, and in 2021, expanded the program to deliver letters for military families for free.

Environment policy

Canada Post is committed to environmental protection in its operations. To the best of the Corporation's knowledge, there are no projects that fall under sections 66 and 67 of the *Canadian Environmental Assessment Act, 2012*. More information about Canada Post's efforts to protect the environment can be found in the financial section of the Annual Report and in the Corporation's Sustainability Report.

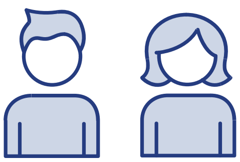
2024 Annual Report

Our size and scope

Our size and scope

The following numbers are for the Canada Post segment.

Employees



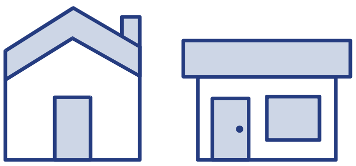
More than

62,300*

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

* In 2024, our regular peak season temporary hiring was curtailed due to the labour disruption in the fourth quarter, reducing our total number of employees compared to the previous year.

Addresses served

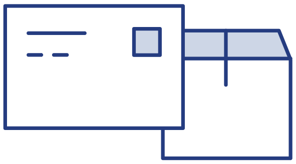


More than

17.6 million

addresses in urban, rural and remote locations across Canada

Pieces delivered



Almost

6.4 billion

pieces of mail, parcels and messages

Plants and depots

22
processing plants

447
letter carrier depots

Fleet

More than
15,300
vehicles

Retail post offices

More than
5,700
post offices, corporately owned or managed by authorized dealers

Delivery routes

More than
21,800
urban, rural and mail service carrier delivery routes

Indoor parcel lockers

More than
22,500
lockers in apartment and condominium buildings, serving over four million Canadians

Community mailbox sites

More than
222,500
sites providing secure, convenient, 24/7 access to mail and parcels for over six million Canadians

Canada Post Corporation
2024 Annual Report

Financial section

For the period ended December 31, 2024

Financial Performance

CONTENTS

Supplementary Information

Consolidated Financial Statements

Management’s Discussion and Analysis

This Management’s Discussion and Analysis (MD&A) of the financial condition and results of operations is prepared for the year ended December 31, 2024, for Canada Post Corporation (Corporation or Canada Post) and its subsidiaries – Purolator Holdings Ltd. (Purolator), SCI Group Inc. (SCI) up to March 1, 2024, and Innovapost Inc. (Innovapost) up to April 15, 2024. These companies are collectively referred to as the Canada Post Group of Companies, the Group of Companies or the Group. The “Corporation,” “Canada Post” and “Canada Post segment” mean Canada Post Corporation, excluding its subsidiaries. The Corporation manages its consolidated operations and, accordingly, determines its operating segments on the basis of legal entities.

Two reportable operating segments have been identified at December 31, 2024: Canada Post and Purolator. Consolidation entries, intersegment balance eliminations and the support functions provided by the information technology business unit, under a shared services agreement between Canada Post, Purolator and Innovapost (in effect until April 15, 2024), are presented separately. The consolidation of results for SCI were discontinued as of March 1, 2024, and for Innovapost as of April 15, 2024, following the completion of their respective divestitures. Details of the Corporation’s material subsidiaries are set out below.

				Proportion of ownership interest held directly or indirectly	
Name of subsidiary	**Principal activity**	**Place of incorporation**	**Place of operation**	**As at Dec. 31, 2024**	As at Dec. 31, 2023
Purolator Holdings Ltd.	Transportation and courier services	Canada	Canada and United States	**91%**	91%
SCI Group Inc.	Logistics and transportation services	Canada	Canada	–	99%
Innovapost Inc.	IS/IT services	Canada	Canada	–	98%

This MD&A should be read in conjunction with the audited consolidated financial statements and accompanying notes. Unless otherwise indicated, all financial information in this report was prepared using IFRS Accounting Standards as issued by the IASB (IFRS Accounting Standards). Amounts are presented in Canadian dollars, rounded to the nearest million, while related percentages are based on numbers rounded to the nearest thousand. Percentage changes for revenue, volume and cost of operations in this report are adjusted for differences in business or paid days in 2024 compared to 2023. Fewer business days and paid days result in decreased revenue and volume, and decreased cost of operations, respectively, while the opposite is true for additional days. These days varied by reporting entity, as follows.

Company	**2024 business days**	**2024 paid days**
Canada Post Group of Companies and Canada Post	+2	+2
Purolator	+1	–

Management is responsible for the information presented in the Annual Report. All references to *our* or *we* mean, as the context may require, either Canada Post or, collectively, Canada Post and its subsidiaries. The Board of Directors, on the recommendation of its Audit Committee, approved the content of this MD&A and the audited consolidated financial statements March 27, 2025.

Forward-looking statements

This Annual Report, including the MD&A, contains forward-looking financial information or outlooks that reflect management's expectations regarding the Group's objectives, plans, strategies, future growth, results of operations, performance, and business prospects and opportunities. These statements reflect, among other things:

- the Corporation's ability to obtain additional funding and continue as a going concern;
- regulatory approvals;
- future operational, performance and financial results;
- working capital and capital requirements; and
- estimates and assumptions made in accordance with requirements of IFRS Accounting Standards.

Forward-looking statements are typically identified by future-oriented words and conditional verbs such as *assumption, goal, objective, outlook, strategy, target, plans, anticipates, expects, believes, estimates, intends, will, should* and other similar expressions. While management considers these assumptions to be reasonable based on available information, they may prove to be incorrect. These estimates of future results are subject to risks, uncertainties and other factors that could cause actual results to differ materially from what the Group expects. These risks, uncertainties and other factors include, but are not limited to, those in Section 8 Risks and Risk Management of this MD&A.

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

The forward-looking statements included in this report are made as of March 27, 2025. The Corporation does not undertake to publicly update these statements to reflect new information, future events or changes in circumstances or for any other reason after this date.

1. Executive Summary

An overview of the Group and summary of the 2024 financial results.

Canada Post segment

In 2024, our employees delivered nearly 6.4 billion pieces of mail, parcels and messages to more than 17.6 million addresses across Canada. With a vast network of over 5,700 retail post offices, Canada Post is proud to serve Canadians with the country's largest retail network, ensuring communities from across the country stay connected. We are built to serve Canada and deliver everywhere, not just where it's most profitable.

The *Canada Post Corporation Act* (Act) mandates Canada Post to provide high-quality postal services at a reasonable price to all Canadians – rural and urban, individuals and businesses – in a secure and financially self-sustaining manner. As a federal Crown corporation, Canada Post reports to Parliament through the Minister responsible for Canada Post, with the Government of Canada as its sole shareholder.

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

- Canada Post is dedicated to maintaining a comprehensive postal service that supports the exchange of mail within Canada and internationally. This system includes the collection, transmission and delivery of letters, parcels and publications.
- Ensuring access to postal services in rural areas is a core part of Canada Post's universal service mandate. The Corporation is committed to providing postal services to remote regions, recognizing the importance of servicing these communities.
- Canada Post has a responsibility for setting postage rates that are fair and reasonable. These rates, along with other sources of revenue, must be sufficient to cover the Corporation's operational costs.

Canada Post is an integral member of the global postal industry, which includes foreign postal administrations (posts) worldwide.

Traditionally, posts have funded their USO by holding a legislated exclusive privilege, or monopoly, over a portion of the postal market. However, over the last two decades, Canadians and Canadian businesses have witnessed an accelerated shift from peak mail volumes to digital commerce. As Canadians began receiving less traditional mail and more parcels, we are adapting to these new mailing habits, with the most significant changes taking place in the last five years. However, our network – designed to deliver up to 5.5 billion letters annually (our peak in 2006) – cannot be sustained on the 2.0 billion letters we delivered in 2024 – especially as the number of addresses we serve has grown by more than 212,000 per year.

Expected growth in the Canadian ecommerce market over the next decade presents a significant opportunity for Canada Post. However, our Parcels business continues to lose ground to delivery companies that have grown rapidly by leaning on technology-driven, low-cost business and labour models, often using labour that is contracted with fewer regulatory requirements. These firms are able to deliver seven days per week, including evenings and weekends, giving them an advantage in securing parcel volumes from ecommerce merchants that value quick, low-cost delivery options. In the last five years, our estimated market share in parcel delivery has quickly eroded by more than half – from 62% in 2019 to 24% in 2024 as a result of fierce competition in the delivery market.

Canada Post has adapted to change for centuries, but modernizing and sustaining the national postal service for all Canadians requires significant changes to its operating model. We are committed to leading this transformation, recognizing our crucial role in connecting Canadians across urban, rural and remote communities. For us to successfully operate a true user-pay system means that, when Canadians' mailing and shipping needs evolve, the regulatory framework and delivery model under which we operate and are governed must also evolve, or we risk losing our relevance in the market and having to use alternate sources of revenue to fund operations.

Canadians expect Canada Post, its bargaining agents and its sole shareholder, the Government of Canada, to work together as stewards of the national postal service. The end goal is a self-sustainable postal service that has the flexibility to modernize and serve all Canadians.

Financial and business highlights

Regulatory update

Corporate Plan

On October 28, 2024, Canada Post submitted its 2025-29 Corporate Plan (Plan) to its sole shareholder (the Government of Canada). The Plan included the following:

- Regulated Lettermail™ rate increase of 25% in January 2025.
- Government cash injection of approximately $1 billion.
- Borrowing and leases plan, with a proposal to increase Canada Post's existing short-term borrowing facility.
- 2025 operating and capital budgets.

The Treasury Board approved the first year of this Plan, the 2025 fiscal year.

Government funding

In accordance with section 31 of the *Canada Post Corporation Act*, Canada Post applied to receive amounts required to enable it to meet its operating and income charges, which are not sufficiently covered by its expected available revenues during the 2025-26 Government of Canada fiscal year ending March 31, 2026. Governor-in-Council approval was received January 31, 2025.

Once final approval is received, all amounts placed at the disposal of the Corporation pursuant to section 31 of the Act are to be reimbursed to the Minister of Finance from the annual revenues of the Corporation in so far as such revenues are sufficient. The Corporation anticipates receiving such funding in mid-2025.

The government's proposed cash injection and access to short-term financing facilities will allow the Corporation to maintain solvency and support its operations through 2025. We are at a critical point in our history, where our longstanding role as essential national infrastructure faces substantial threats without a major restructure, including an overhaul of our operating parameters and regulatory framework. While these short-term liquidity measures will not solve Canada Post's long-term structural concerns, they will provide a much-needed financial bridge so that Canada Post can continue to serve Canadians as it works with the government and bargaining agents on the changes required to ensure the long-term viability of the national postal service.

The approval of government funding impacted our going-concern risk assessment

Since 2018, the Canada Post segment has experienced cumulative losses from operations of over $4.5 billion (a business performance measure that excludes net investing and financing income, such as the non-recurring results of the 2024 divestitures) and cumulative losses before tax of over $3.8 billion. The increasing challenges posed by the current competitive environment have brought us to a critical point. As the focus has shifted from mail to parcel delivery, the foundation of the national postal service is showing significant strain. Major changes are required to modernize and sustain the national postal service. This ongoing trend of financial deterioration is threatening our ability to fulfill the mandate set by the Government of Canada, which involves having the regard to fund our operations with revenue generated from the sale of our products and services – not from taxpayer funding.

Considering forecasted operating losses for 2025 and the maturity of $500 million of debt in July 2025, Canada Post requires financial support from its shareholder to maintain solvency, ensure it can continue operations and a going concern in the short term. The Corporation continues to work with its shareholder and bargaining agents to address the significant long-term structural and financial issues facing the postal service.

Our consolidated financial statements were prepared on a going-concern basis in accordance with IFRS Accounting Standards, which assume that the Corporation will continue operations for the foreseeable future, allowing it to realize its assets and discharge its liabilities and commitments in the normal course of business. In assessing going-concern risk, key factors considered include the Corporation's capital management and available borrowing, access to and approval of repayable government funding and management of liquidity risks. Significant judgments are applied in making these assessments.

Market update

Canada Post is being impacted by broad economic factors, including lower Canadian gross domestic product (GDP) growth, inflation, and cost of living pressures on Canadians. In many industries, including ours, inflation has led to cost-cutting measures. In our Parcels business, our biggest opportunity for growth, we face growing challenges as competition intensifies and pricing pressures rise:

- Customers are increasingly rate shopping for the lowest shipping costs for each shipment on a lane-by-lane or parcel-by-parcel basis.
- Competitors are rapidly introducing new delivery and returns capabilities, including in new regions enabled by gig labour.
- New low-cost, asset-light delivery companies are offering fast, seven-day-a-week services.
- Customers are managing their relationship with Canada Post through third-party intermediaries, such as ecommerce sales and shipping platforms.

Although the ecommerce market is expected to remain strong with growth projected at 11.4% in 2025, Canada Post continues to struggle to retain or gain market share. Several constraints are restricting the company's success in the ecommerce market and are having a material adverse effect on Canada Post's overall performance. These constraints include limitations and inflexibility imposed by our collective agreements, rigid regulatory and policy framework, ongoing financial difficulties, and the predominance and success of low-cost, agile competitors.

Canada Post holds a distinct position in environmental performance, supported by strong commitments and action plans aimed at minimizing our impact on greenhouse gas emissions, waste and natural resource use. This focus is crucial as environmental concerns are increasingly influencing the shipping decisions of consumers and businesses; however, we have had to pause or cancel many initiatives and investments in this area due to cost-reduction measures and our deteriorating liquidity.

Outside of ecommerce, the Transaction Mail business continues to erode, while the number of delivery addresses keeps increasing, raising delivery costs. Despite new business and more sales from the Canada Post Neighbourhood Mail™ service, digital platforms that leverage emerging technologies to effectively reach consumers are negatively impacting other Direct Marketing products.

Segment results

Profit (loss) from operations

(in millions of dollars)

	2024	2023	$ change	% change
Canada Post	(1,287)	(845)	(442)	(52.3)%
Purolator	287	296	(9)	(3.3)%
SCI	1	18	(17)	(92.4)%
Consolidation entries and eliminations	12	–	12	+
Canada Post Group of Companies	**(987)**	**(531)**	**(456)**	**(85.7)%**

+ Large percentage change.

In 2024, the Group's loss from operations was mainly due to revenue declines in the Canada Post segment and higher cost of operations in the Purolator segment, partially offset by revenue gains in the Purolator segment from their acquisition of Williams PharmaLogistics.

Results of the SCI and Innovapost divestitures are not included in the loss from operations as they were recorded in investing and financing income (expense) in the consolidated statement of comprehensive income; therefore, they are excluded from this view of business performance.

Profit (loss) before tax

(in millions of dollars)

	2024	2023	$ change	% change
Canada Post	(841)	(748)	(93)	(12.4)%
Purolator	294	293	1	0.2%
SCI	–	14	(14)	(100.0)%
Consolidation entries and eliminations	(118)	(88)	(30)	(34.1)%
Canada Post Group of Companies	**(665)**	**(529)**	**(136)**	**(25.8)%**

In 2024, the Group reported a loss for the seventh consecutive year. The loss was mainly attributable to a loss in the Canada Post segment partially offset by profit from Purolator.

Divestiture of SCI and Innovapost – Canada Post and Purolator divested 100% of the shares of SCI, a leading Canadian third-party logistics provider, and Innovapost, the Corporation's shared-services provider in information technology. Outsourcing information technology (IT) services to an IT strategic partner will help position the Corporation for growth in Canada's ecommerce market, while focusing on its core responsibility of delivering for Canadians. A summary of the divestitures follows.

	SCI	Innovapost
Closing date	March 1, 2024	April 15, 2024
Proceeds (in millions of dollars)	363	61
Gain on sale (in millions of dollars, before tax)	294	52

Canada Post segment

Summary of results

(in millions of dollars)

	2024	2023	$ change	% change
Revenue from operations	6,142	6,942	(800)	(12.2)%
Cost of operations	7,429	7,787	(358)	(5.3)%
Loss from operations	**(1,287)**	**(845)**	**(442)**	**(52.3)%**
Investing and financing income, net	446	97	349	360.4%
Loss before tax	**(841)**	**(748)**	**(93)**	**(12.4)%**

For the seventh consecutive year, Canada Post posted a loss before tax. For 2024, deteriorating losses from operations were partially offset by non-recurring gains and dividend income from the sale of SCI and Innovapost in 2024.

Labour disruption and the Industrial Inquiry Commission

The labour disruption in the fourth quarter, our peak season, had a significant impact on our financial results in 2024. The impact on revenue was significant. Some of this erosion is permanent, as customers moved to find alternate parcel delivery carriers for their business or switched to alternate marketing platforms or communication methods that do not rely on our services. Of the $841-million loss before tax, we estimate that the labour disruption contributed a net negative impact of $208 million, driven mostly by $693 million in revenue declines.

There will likely be a financial impact from the labour disruption in 2025 and beyond; however, it is difficult to predict the magnitude of this impact.

In late 2024, the Minister of Labour appointed an Industrial Inquiry Commission to examine key issues of the collective bargaining dispute, more specifically:

- Canada Post's financial situation;
- the company's need to diversify or alter its delivery models in response to current business demands;
- Canada Post's viability as it is currently configured;
- the union's negotiated commitments to job security and full-time employment;
- the need to protect the health and safety of employees.

It remains our hope that this process will bring us to a shared understanding of the issues before us. Section 4.1 Capabilities contains additional information about the status of our collective agreements.

Revenue by line of business

	Revenue (in millions of dollars)				Volume (in millions of pieces)			
	2024	**2023**	**$ change**	**% change**	**2024**	**2023**	**Change**	**% change**
Parcels	2,799	3,482	(683)	(20.3)%	240	296	(56)	(19.9)%
Transaction Mail	2,193	2,298	(105)	(5.3)%	2,009	2,196	(187)	(9.3)%
Direct Marketing	930	951	(21)	(3.0)%	4,104	4,002	102	1.8%
Consumer products and services	220	211	9	3.7%	–	–	–	–
Total	**6,142**	**6,942**	**(800)**	**(12.2)%**	**6,353**	**6,494**	**(141)**	**(3.0)%**

Parcels revenue and volumes declined due to continued competitive pressures and the labour disruption during peak season

Total Parcels revenue and volumes decreased in 2024 mainly due to the labour disruption that occurred in Q4 2024, competitive pressures from new and low-cost entrants, a decline in fuel surcharges (tied to market rates), and changes in customer and channel mix. Inbound parcel volumes and revenue were negatively impacted by the growing shift toward competitive commercial consolidators instead of the conventional inbound postal network.

Looking ahead: Expected growth in the Canadian ecommerce market over the next decade presents a significant opportunity; however, Canada Post's market share is expected to decline due to intense competition, especially from non-traditional, low-cost competitors. While Canada Post resumed full operations in mid-December after the labour disruption, uncertainties remain, potentially leading to suppressed volumes until a final resolution is reached with all bargaining agents. Risk to our international channel as a result of the labour disruption is compounded by significant trade uncertainty due to tariffs imposed by our largest trading partner. Through 2025, we will be focused on recovery measures with our customers and addressing competitive pressures. For example, our goals include implementing a more competitive pricing strategy, improving our service performance in critical lanes and working to meet consumer expectations for next-day and seven-day delivery.

Mail volume erosion continued; regulated rates increased by 25% in January 2025

In 2024, Transaction Mail volumes continued to erode as our traditional Lettermail service continued to be replaced by digital communications. Baseline erosion was temporarily inflated by the labour disruption in late 2024, as Canadians and businesses were unable to send letters, bills, statements, invoices and other communications. The regulated rate increase in May 2024, which represented a weighted average increase of 7.6%, helped mitigate the impact of volume declines on revenue.

Looking ahead: The Corporation lacks autonomy in setting regulated stamp prices; regulations under the *Canada Post Corporation Act* prescribe approval of such rate increases by the Government of Canada. In January 2025, Canada Post increased regulated rates for stamps, Lettermail items, International Letter-post items, and special services and fees, which will help mitigate overall revenue declines expected in 2025. For stamps purchased in a booklet, coil or pane, which represent most stamp sales, the rate increased by 25 cents, from $0.99 to $1.24 per stamp. We are also enhancing the Transaction Mail customer experience with MyMail, a feature in the Canada Post app that provides notifications about incoming mail and a history of previously delivered items.

Direct Marketing revenue declined as negative impacts of the labour disruption offset strong Neighbourhood Mail™ performance

Increased sales from the Canada Post Neighbourhood Mail™ service until mid-November was partly driven by new products entering our facilities. This strong performance was offset by the impacts of the labour disruption, which caused businesses to pause or cancel marketing campaigns during the busy holiday period. Businesses are increasingly choosing other emerging platforms to reach their customers, causing revenue declines for Direct Marketing overall.

Looking ahead: Direct marketing helps businesses connect with their consumers in tangible ways. To keep Direct Marketing relevant, we will do the following:

- Integrate physical and digital experiences to enhance the Canada Post Smartmail Marketing™ service.
- Implement responsible pricing for commercial Direct Marketing products.

- Capitalize on recent industry changes to create new opportunities and partnerships.
- Reduce the use of plastics in Neighbourhood Mail items.

Consumer products and services revenue increased from commercial logistics services and coin sales

Consumer products and services revenue increased in 2024 due to logistics services for election mailings and higher sales in coins and collectibles as well as postal boxes.

Looking ahead: We continue to explore innovative programs and features to expand banking access for more Canadians through new or existing financial services. We are continuing to work in partnership with the Business Development Bank of Canada on a loan program for small and mid-sized businesses (SMBs).

Higher operating costs were partially offset by lower non-capital investments

(in millions of dollars)

	2024	2023	$ change	% change
Labour	3,712	3,952	(240)	(6.8)%
Employee benefits	1,108	937	171	17.3%
Other operating costs	2,238	2,545	(307)	(12.7)%
Depreciation and amortization	371	353	18	4.3%
Total cost of operations	**7,429**	**7,787**	**(358)**	**(5.3)%**

In 2024, the cost of operations decreased compared to 2023, mainly due to labour and non-labour savings attributed to the labour disruption, and operational labour savings driven by better aligning labour scheduling with volume fluctuations. These savings were partially offset by wage increases, inflationary pressure and higher employee benefit costs driven by a lower discount rate. Operating costs also declined as we refocused our non-capital investment priorities.

Looking ahead: Management continues to actively pursue spending reductions in ways that do not negatively impact our ability to maintain service to Canadians. The Corporation is primarily focused on analyzing all non-operational functional areas to identify efficiencies and continuous improvement opportunities.

In response to our deteriorating financial situation, Canada Post is continuing to reduce or defer investments in the short term (e.g., plant enhancements, parcel capacity for future growth, facility renovations, asset replenishments), which will contribute to overall spending reductions. These spending reductions, when coupled with our overall financial challenges, may ultimately impact our ability to compete and fight for every parcel.

Investments

The Corporation has a considerable network and national infrastructure that requires a certain amount of critical investment to operate and, in some cases, to transform. Depending on the nature of an investment project, some investment costs meet IFRS Accounting Standards' criteria to be capitalized as an asset on the statement of financial position (capital investment) and amortized over the life of the asset. Other investment costs cannot be capitalized, and they are expensed as other operating costs on the statement of comprehensive income (non-capital investment expense). In 2024, the Corporation made total investment outlays of $470 million, comprising capital and non-capital investments of $246 million and $224 million, respectively. This reflects an overall reduction of $273 million compared to 2023. To help preserve our remaining cash in the short term, we continue to prioritize critical investments, while maintaining focus on growing the business. Our operation-critical and environmental, social and governance (ESG) initiatives are continuing, but at considerably reduced levels and on much longer timelines than initially planned. The Corporation's transformation has been negatively impacted by these cost reductions.

Looking ahead: 2025 investments will be limited to those supporting the replenishment of end-of-life assets that are now costly to maintain or create a risk to safety or service. We are also minimizing, deferring or cancelling several capacity initiatives.

Higher-than-expected asset returns drive remeasurement gains in other comprehensive income

The Canada Post Corporation Registered Pension Plan (RPP) and other post-employment and long-term benefit obligations are large with volatility due to fluctuations in discount rates, investment returns and other actuarial assumptions, resulting in sizeable financial and long-term liquidity risks to the Corporation, especially during periods of funding shortfalls. At the end of 2024, higher-than-expected asset returns and a discount rate increase offset by experience losses and other assumption adjustments resulted in accounting remeasurement gains of $884 million, net of tax, recorded in other comprehensive income. The actuarially determined expense recorded in the statement of comprehensive income and regular payments were not affected by these remeasurements.

As the December 31, 2023, funded position of the RPP was positive and exceeded certain legislative thresholds, no special solvency payments were required for 2024. Further, Canada Post was not permitted to make employer current service contributions for 2024.

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

	December 31, 2024[1]		December 31, 2023	
	$	%	$	%
Going-concern surplus using the smoothed value of RPP assets[2]	7.6	130%	7.6	131%
Solvency surplus using market value of plan assets[2]	2.6	109%	2.2	108%
Solvency surplus to be funded using the three-year average solvency-ratio basis[3]	2.1	107%	0.6	102%

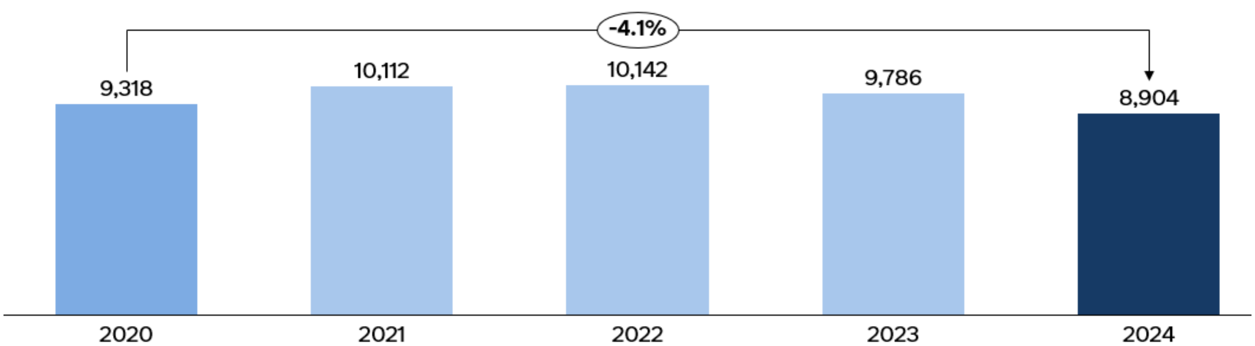
1. Final results for estimates of the financial position of the RPP as at December 31, 2024, are to be filed in 2025.
2. The going-concern ratio was above 125% and the solvency ratio was above 105%; therefore, no current service contributions were permitted in 2024.
3. The solvency ratio was above 100%; therefore, no special solvency payments were required in 2024.

Looking ahead: The RPP was in an overall surplus funded position as at December 31, 2024, such that Canada Post is not permitted to make regular contributions for 2025. In addition, special solvency payments are not required for 2025. Final actuarial valuation results may differ significantly from these estimates.

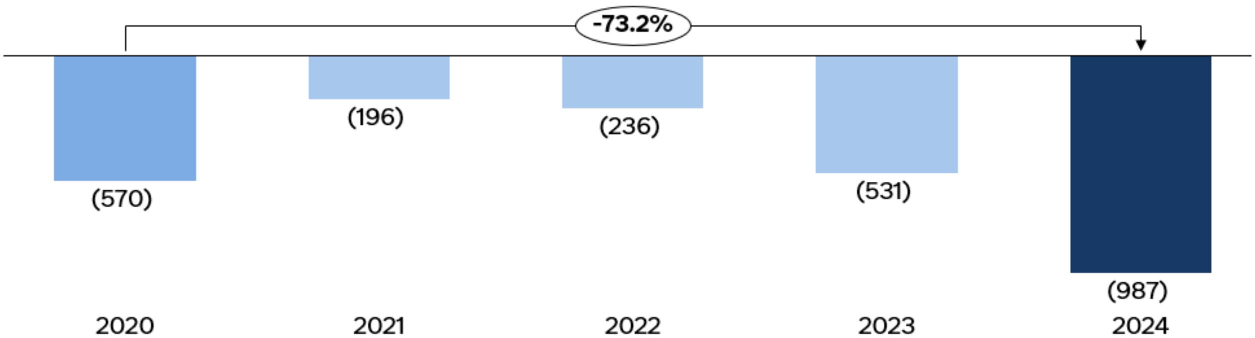
Canada Post Group of Companies – 2024

The charts below present a summary of the 2024 consolidated results for the Canada Post Group of Companies.

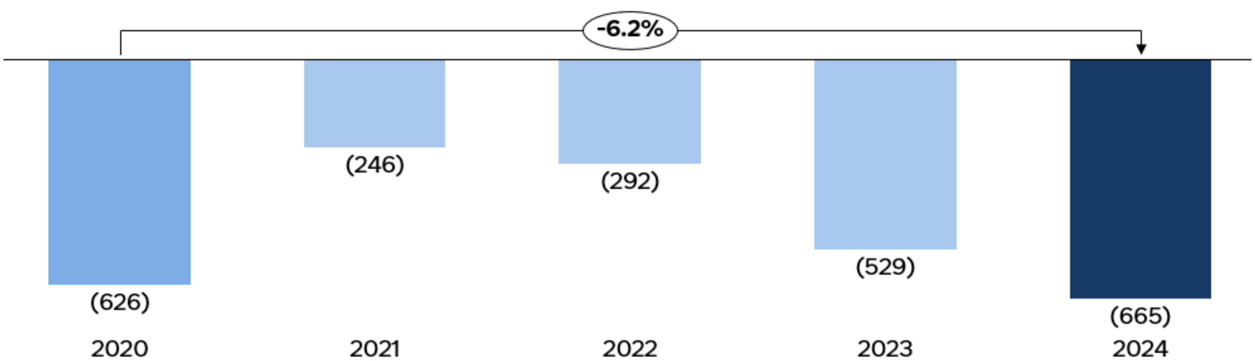
Revenue from operations (in millions of dollars)



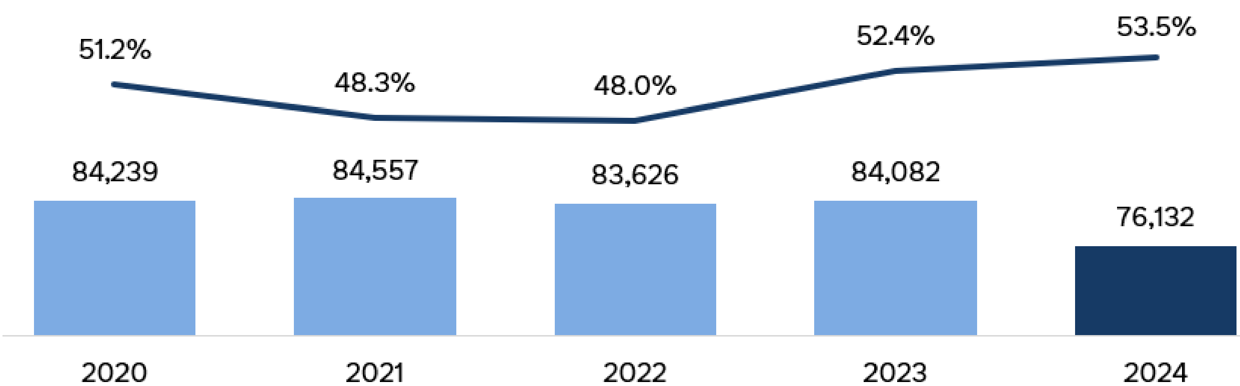
Loss from operations (in millions of dollars)



Loss before tax (in millions of dollars)



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



‡ Includes paid full-time and part-time Canadian employees as well as temporary, casual and term employees. Labour as a percentage of revenue from operations excludes employee benefits. In 2024, regular peak season temporary hiring in the Canada Post segment was curtailed due to the labour disruption in the fourth quarter, reducing our paid headcount.

The following table presents the Group's consolidated performance.

Years ended December 31

(in millions of dollars)

	2024	2023	$ change	% change	Explanation of significant variances
Consolidated statement of comprehensive income (loss)					Discussed in Section 5 Discussion of Operations.
Revenue from operations	8,904	9,786	(882)	(9.7)%	Declines due to disposal of SCI and total revenue declines at Canada Post due to the labour disruption, offset by increases at Purolator.
Cost of operations	9,891	10,317	(426)	(4.9)%	Declines due to disposal of SCI, the Canada Post labour disruption and lower non-capital investment expenses in the Canada Post segment, offset by higher employee benefits.
Loss from operations	(987)	(531)	(456)	(85.7)%	Higher losses in the Canada Post segment.
Investing and financing income (expense), net	322	2	320	+	Gain on sale of SCI and Innovapost.
Loss before tax	(665)	(529)	(136)	(25.8)%	
Tax (recovery) expense	(246)	108	(354)	(327.4)%	Prior year included impact of write-down of the deferred tax asset.
Net loss	(419)	(637)	218	34.1%	
Comprehensive income (loss)	534	(1,850)	2,384	128.9%	Remeasurement gain primarily from pension plans.
Consolidated statement of cash flows					Discussed in Section 6 Liquidity and Capital Resources.
Cash (used in) provided by operating activities	(224)	101	(325)	(323.6)%	Increased losses from operations and changes in working capital partially offset by higher pension expense in excess of payments.
Cash (used in) provided by investing activities	(52)	4	(56)	+	A decrease in the proceeds (net of acquisitions) of securities partially offset by proceeds from the sale of SCI and Innovapost and lower cash payments for capital assets.
Cash used in financing activities	(115)	(142)	27	19.3%	Lower lease payments.

+ Large percentage change.

2. Core Businesses and Strategy

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

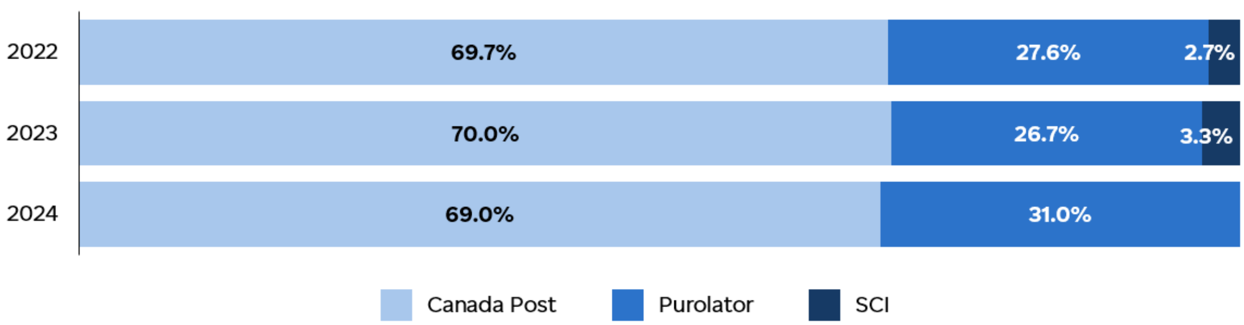
2.1 Our business

The Canada Post Group of Companies is proud to serve Canadians with a network that supports remote communications and commerce across Canada and globally, serving everyone from Indigenous communities in remote regions to the smallest and emerging micro-businesses. In 2024, the Group generated $8.9 billion in revenue by providing ecommerce, marketing and logistics solutions.

Service demand peaks during the holiday season in the fourth quarter, then gradually declines in volumes, reaching their lowest level in the third quarter. Despite fluctuations in demand, significant fixed costs remain relatively constant. The Group operates Canada's largest retail network with over 8,700 retail locations, a fleet of over 21,700 vehicles and a workforce of over 76,000 people (paid full-time and part-time employees, including temporary, casual and term employees).

In 2024, our employees delivered approximately 6.6 billion items, including mail, parcels and messages to more than 17.6 million addresses across urban, rural and remote Canada.

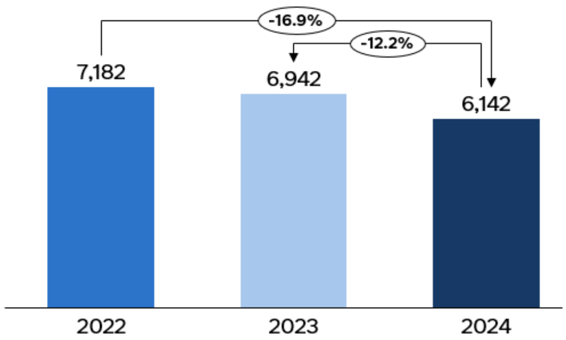
Revenue by segment



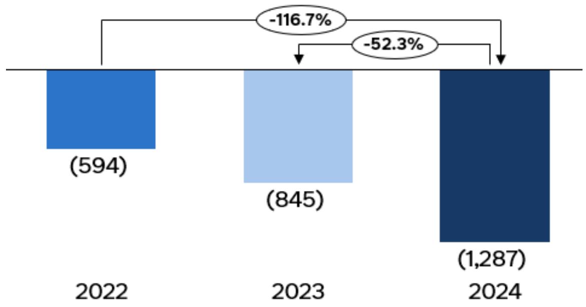
Canada Post segment

Canada Post operates the largest retail network in Canada, with over 5,700 retail post offices and a fleet of over 15,300 vehicles, which delivered almost 6.4 billion mail items, parcels and messages in 2024. With a paid workforce of over 62,300 employees, including full-time, part-time, temporary, casual and term employees, Canada Post serves more than 17.6 million addresses nationwide.

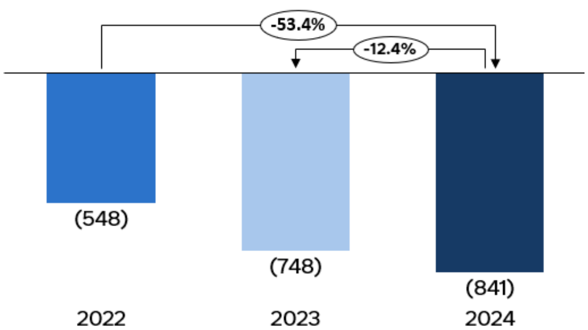
Revenue (in millions of dollars)



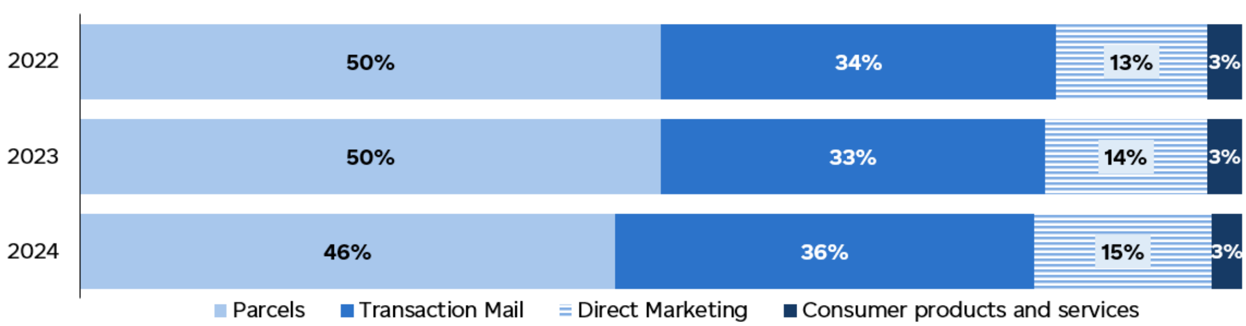
Loss from operations (in millions of dollars)



Loss before tax (in millions of dollars)



Revenue by line of business



In 2024, revenue by line of business was impacted by the labour disruption in the fourth quarter, our peak season, which had the most significant impact on our Parcels business.

Lines of business

Parcels

The Parcels line of business provides a wide range of delivery services to every Canadian address and reaches international destinations through partnerships with foreign postal administrations (posts) and collaboration with global integrators. Services are differentiated by the delivery destination and speed, ranging from urgent-next-day to non-urgent delivery, where transit time is determined by the origin and destination, and transportation mode of ground, air or both. Customers include private consumers, ecommerce platforms, businesses and retailers of all sizes, governments, posts and other delivery companies and consolidators. Competition in the Parcels line of business is intense due to the acceleration and deployment of new delivery and returns capabilities, low-cost and flexible global entrants, and the use of third-party intermediaries.

Transaction Mail

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

Direct Marketing

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

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

Growth in the competitive marketing sector is challenging as businesses spend more of their marketing budget on digital alternatives, including new emerging technologies such as artificial intelligence. Customers include businesses of all sizes and municipal, provincial and federal governments.

Consumer products and services

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

Sales Channels

Canada Post provides services to Canadians from coast to coast through various channels:

- Through our **retail reach and extensive delivery network**, we serve every Canadian address. Our extensive retail network of post offices serves as an essential point of contact for consumers and small local businesses who rely on Canada Post in communities across Canada for important services, parcel and mail pickup, induction, shipping supplies and product returns.
- Our **domestic commercial business** is the most significant channel, offering products and services to large national enterprises and mid-market commercial customers, across Canada. We create business solutions to help our customers launch and grow, including shipping, marketing and ecommerce support with programs and postal services designed for small and larger-volume businesses. We strive to make it easier for customers to work with us and bring insights and new service offerings to improve business practices and opportunities to gain more customers.
- The **international channel** includes inbound and outbound services provided by Canada Post in collaboration with other foreign postal administrations and as governed through the Universal Postal Union and bilateral agreements between trading partners. We work with a wide range of bilateral, multilateral and commercial partnerships to identify and pursue new avenues for growth with a focus on our ESG and sustainability aspirations, principles of good governance, and regional cooperation.

Purolator

Purolator segment

188 operations facilities

Over 14,000 individuals employed across Canada and the United States

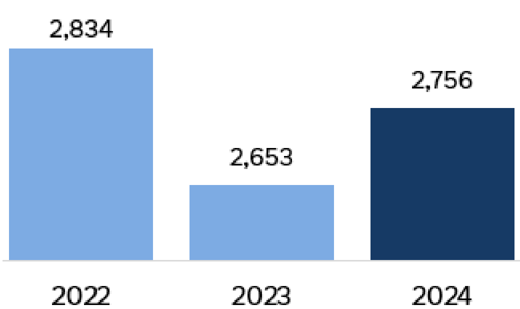
21 U.S. branches

Over 6,500 vehicles

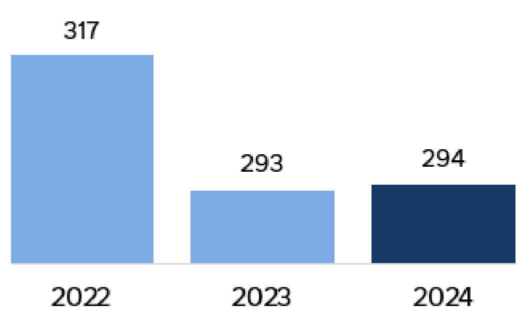
Over 3,000 access points (shipping agents and centres, Mobile Quick Stop vehicles in metropolitan areas, self-serve kiosks and drop boxes, and parcel lockers)

Purolator is a leading provider in Canada's premium courier market, offering integrated freight, package and logistics solutions for over 60 years across North America. With one of the largest nationally integrated freight and courier networks, Purolator delivers best-in-class shipping and logistics services, capable of reaching 100% of postal codes across the country (by leveraging partnerships with other carriers for last-mile delivery) and proudly stands as a trusted partner for domestic and international shipments.

Revenue (in millions of dollars)



Profit before tax (in millions of dollars)

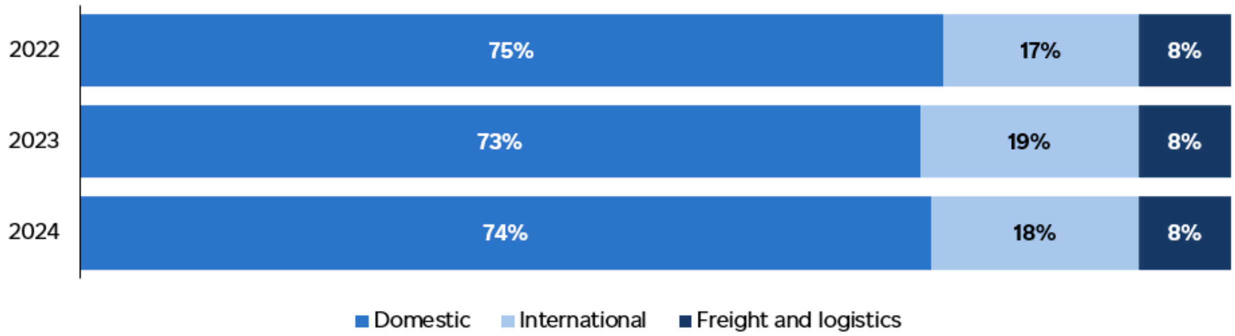


Guided by its purpose to make Canada stronger, Purolator goes beyond delivering packages. The company is dedicated to making a positive difference in communities across Canada, creating a rewarding workplace for its employees, and empowering customers to deliver on their promises.

In 2024, Purolator received the Community Leader Award from the Daily Bread Food Bank for its significant efforts in raising awareness about food insecurity, particularly through the Purolator Tackle Hunger® program, which collected almost 2.4 million pounds of food throughout the year for communities in Canada. Purolator was also named on Forbes' list of Canada's Best Employers for the ninth consecutive year and its list of Canada's Best Employers for Diversity in 2024.

Purolator is dedicated to ongoing improvement and innovation to enhance its services in response to the changing needs of customers.

Revenue by line of business



2.2 Our business environment

Global trends

Global inflation decreased from 6.7% in 2023 to 5.8% in 2024 and is expected to continue falling into 2025. Falling inflation led central banks in advanced economies to loosen monetary policy and cut interest rates in 2024, with Canada being the first G7 country to do so in June 2024.

A notable outlier in economic policy is the United States – which lowered interest rates at a much slower pace than the rest of the world. As a result, the value of the U.S. dollar strengthened against major currencies, in part as global capital rotated toward the United States' higher yield treasuries.

U.S. economic strength is reflected in the S&P 500 Index's gain of over 20% in 2024. Combined with a similar gain in 2023, this result marks the largest two-year jump since 1998. The U.S.'s strong economic performance suggests that the interest rate discrepancy relative to the rest of the world will continue, as the U.S. Federal Reserve aims to control inflation. It is uncertain whether the U.S. economy will continue to diverge from the rest of the world, and if so, what the impact will be on Canada.

Canada

The Canadian economy followed global macroeconomic trends in 2024 as high interest rates curbed inflation and aggregate demand cooled. The consumer price index year-over-year change fell from 3.9% in 2023 to 2.8% in 2024. In response to slowing inflation and rising unemployment, the Bank of Canada began to cut interest rates in June 2024, falling from 5% to 3.25% at the end of 2024. The intended effect of rate cuts on unemployment is largely left to be seen, as unemployment continued to rise then closed at 6.7% on December 31, 2024, up from 5.8% the year prior.

Consumer spending in 2025 is inherently uncertain, given the economic indicators and policy decisions coming into effect. Canada's gross domestic product (GDP) per capita remains stuck at 2017 levels and is now below the Organization for Economic Cooperation and Development (OECD) average for the first time in over two decades. Aggregate GDP in Canada will also be challenged as the federal government implements its 2025-27 immigration plan, which is set to materially reduce targets for permanent and temporary residents.

The impact of rate cuts and reduced immigration on ecommerce spending is uncertain. Canadians are saving money at the highest rate in the past three decades (excluding the pandemic) but are likely to use any excess savings for debt reduction rather than discretionary spending. Canadians without excess savings are likely to take on more debt to manage rising cost-of-living expenses.

The caution behind consumer spending suggests Canadians will continue shifting toward global ecommerce marketplaces with loyalty programs and offers of free shipping, all made possible by the reliance on gig-labour carriers. The ecommerce parcel market in Canada is expected to continue growing due to a rising ecommerce penetration as in-store retail spending shifts to online channels. The growth of gig labour is enabling the rise of fast, flexible and cheap local delivery that is expected to become an increasingly prominent part of the industry.

Canada Post's mail lines of businesses are also expected to be impacted by the state of the economy and digitization trend. In 2024, Transaction Mail continued its gradual decline as the adoption of digital channels for everyday communications grew.

Transactional Mail continued to erode with a decline in volumes of 70% in the annual number of pieces of mail delivered per address since 2006. Declining volumes and increases in the number of addresses in 2024 and the preceding four years were as follows:

Transaction Mail (excluding outbound)	**2024**	**2023**	**2022**	**2021**	**2020**
Delivered volume change	(9.2)%	(5.0)%	(6.0)%	(2.0)%	(10.4)%
Delivery address change	1.2%	1.2%	1.3%	1.2%	1.2%
Mail volume decline per address	(10.3)%	(6.1)%	(7.2)%	(3.3)%	(11.5)%

Direct marketing mail is also gradually declining as digital advertising continues to drive growth in advertising spending. Historically, Direct Marketing spending partly correlates with the overall state of the economy, and a weak economy could result in poorer than expected advertising spending.

2.3 Strategy and strategic priorities

Canada Post segment

The Corporation has a mandate to serve all Canadians while maintaining financial self-sufficiency. The Corporation continues to work with its shareholder and bargaining agents to address the significant long-term structural issues facing the postal service, our focus remains on the long-term success of our purpose, A Stronger Canada – Delivered. The Plan has three pillars summarized below.

Pillar	Strategic imperative
Providing a service all Canadians can count on	• Expanding our capacity to meet growing demands • Enhancing service quality and tracking capabilities • Improving retail services • Supporting Canadians in staying connected and helping businesses succeed
Committed to social and environmental leadership	• Promoting equity, diversity and inclusion • Prioritizing environmental sustainability • Fostering reconciliation with Indigenous Peoples
Doing right by our people	• Embedding health and safety in our culture • Strengthening collaboration with our bargaining agents • Building a fair, respectful and inclusive workplace

The investment prioritization exercise conducted in 2023 and 2024 resulted in the pause or cancellation of several major projects, including those in our processing network, customer experience initiatives and capital purchases. While we are progressing, it is at a slower pace. Highlights on progress in 2024 against these pillars appear in Section 4 Capabilities.

Purolator segment

Purolator remains committed to leading the way forward with operational excellence, being a people-first organization and positioning itself for future growth and success through the execution of its strategic plan. To achieve its strategy, Purolator's plan focuses on four key themes:

- **Focusing on premium growth:** Purolator is dedicated to offering premium services and capabilities to the marketplace and driving growth for businesses of all sizes across North America and globally. It is also expanding its international reach to become a leading player within and outside Canada.

- **Digitizing the business:** Purolator continues to invest in cutting-edge innovation to enhance its customer's digital experience, while driving efficiency in its end-to-end business through advanced digitization and analytics.
- **Modernizing the network:** Purolator remains committed to delivering operational excellence by optimizing its end-to-end network capabilities, expanding customer access reach and automating its facilities. As part of its network evolution, Purolator is investing in sustainable solutions and infrastructure to advance decarbonization efforts and promote sustainability.
- **Being safe, sustainable, inclusive and inspiring:** To further advance its goal to be an industry leader in corporate sustainability and achieve net-zero emissions by 2050, Purolator continues to make strategic investments to reduce greenhouse gas emissions, decarbonize its fleet, increase energy efficiency and increase landfill waste diversion. Purolator is also committed to achieving industry-leading health and safety and well-being standards through actions such as developing best-in-class driver safety programs and providing employees with resources to support their physical, mental and social well-being. Additionally, the organization strives to be recognized and admired for its commitment to diversity, equity, inclusion and belonging through key enablers such as leadership accountability, hiring processes and community engagement.

3. Key Performance Indicators

A summary of our non-financial performance drivers.

The Canada Post segment uses senior executive scorecards to track performance and progress toward strategic priorities. Regular reporting provides management and the Board of Directors a detailed overview of the segment's performance. In 2024, our progress and achievements reflecting our commitment to our people and to social and environmental leadership were as follows:

Key performance indicators		2024 target	2024 result	2025 target	Status
Total injury frequency per 100 employees year-over-year (reduction)		(10%)	1%	(5%)	C
Fleet with telematics installed (to date)		13,500	13,281	N/A	A
Employee diversity[1]	Indigenous Peoples	3.2%	3.5%	3.5%	A
	People with disabilities	7.9%	9.1%	9.1%	A
Greenhouse gas emissions (GHGs)	Scopes 1 and 2 for fleet and buildings[2] (in kilotonnes of carbon dioxide equivalent emissions)	112.7	105.8[3]	105.9	A
Waste diversion rate	Percentage of solid, non-hazardous operational waste diverted from the landfill through reduction, reuse or recycling	---[4]	67.6%[3]	70.4%	A
Digital accessibility	Percentage of digital accessibility across all active digital products	92.0%	93.3%	94.0%	A
Indigenous procurement	Spending with Indigenous Peoples (percentage of eligible expenditure in Indigenous businesses)	4.3%	4.3%	5.0%	A
Enhanced postal services in Indigenous communities	Number of communities with improved expanded services	Over 15	28	Over 15	A
	Number of engagement discussions (security)	120	123	120	A
Removal of illicit products from the mail stream in Indigenous communities	Number of pieces inspected and removed	3,660	3,675	3,660	A

Status A Achieved target within success parameters, or on track to meet target by December 31, 2024.
Status B Performance did not meet target due to an explainable variance.
Status C Target not achieved (outside success parameters).

1. Although targets are established for all designated equity groups, the Corporation is above 80% of Canadian labour market availability for women and members of visible minorities. The Corporation does not modify recruitment strategies when the goal is exceeded.
2. Scope 3 emissions, which include all upstream transportation, make up 90% of Canada Post's GHG emissions. As part of our science-based targets (SBTs), we are working with our suppliers toward the goal of having 67% of suppliers, by area of spending, to set an SBT by December 31, 2025. Scope 3 emissions are reported in the annual Sustainability Report.
3. Result is a forecast and subject to verification. The confirmed value for 2024 (full year) will be reported in the 2024 Sustainability Report.
4. Target to divert at least 90% by weight of non-hazardous operational waste and 90% of all construction and demolition waste by 2030. In-year target setting began in 2024.

4. Capabilities

A discussion of the issues that affect the ability to execute strategies, manage key performance drivers and deliver results.

In 2024, progress in delivering reliable services for all Canadians, leading in social and environmental responsibility, and doing right by our people – was impacted by the prioritization of investments conducted in late 2023, which resulted in the pause or cancellation of several major projects, including those in our processing network, customer experience initiatives and capital purchases. 2024 performance highlights given these constraints are summarized below.

4.1 Doing right by our people

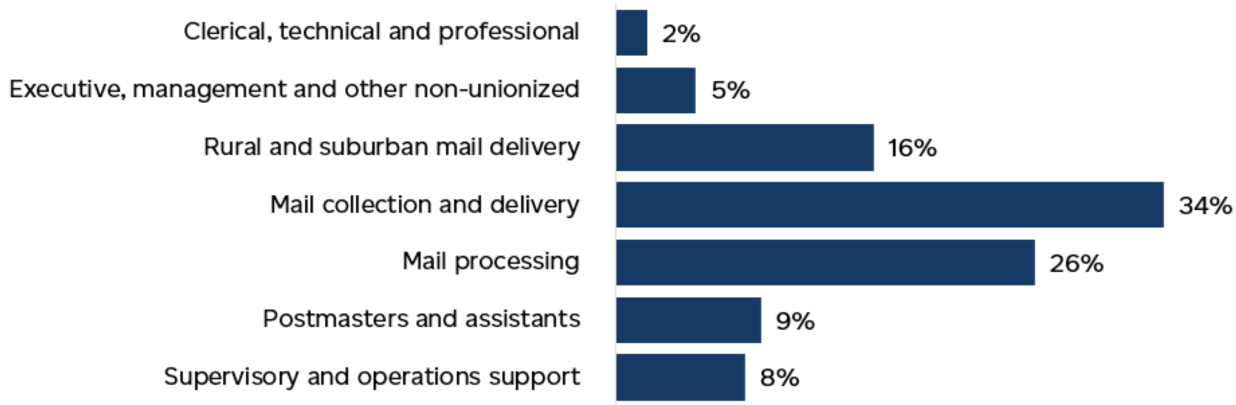
2024 highlights	
Talent management	• Launched a pilot program for managers to enhance skills, align with organizational goals and strengthen people management capabilities.
Employee engagement	• Updated the Hybrid Workplace Practice, which requires all employees to work from their official location at least two days a week, fostering team connections, collaboration, mentorship and creativity.
Health, safety and wellness	• The total injury frequency rate and lost-time injury frequency rate increased by 1% and 11%, respectively, compared to the previous year, underscoring the need for continued vigilance. • Offered tools and resources for vehicle collision avoidance and prevention through formal training. • Launched a new incident management platform that allows better data analysis to focus efforts on preventing incidents, rather than preparing time-consuming reports. • Expanded the deployment of SnapComms to corporate mobile phones, an application that directly broadcasts life safety alerts for driving, plant and field operations as pop-up messages on corporate devices. • Installed our new slip simulators at the two largest delivery agent training schools, in Toronto and Montréal. • Conducted life safety audits, implemented corrective measures and hazard controls.

	• Expanded the deployment of telematics for seat belt and speeding reporting to promote safe driving behaviours. • Held two life safety summits for all team leaders to emphasize and further prevent life safety incidents.
Equity, diversity and inclusion	• Achieved a score of 3.9 out of 5 and completed 191 out of 275 Global Diversity, Equity and Inclusion Benchmarks from the Canadian Centre for Diversity and Inclusion, trending ahead of our five-year goal. • Launched the Equity, Diversity and Inclusion Mentorship program with the first cohort of the program providing mentorship for Indigenous Peoples. • Launched cultural awareness sessions in accordance with the Truth and Reconciliation Commission's Call to Action 92 (Business and Reconciliation).
Labour and employee relations	• Continued discussions with the Canadian Union of Postal Workers (CUPW) and the Canadian Postmasters and Assistants Association (CPAA) regarding financial services. • Continued to develop a comprehensive corporate pay equity plan. • Partnered with the Association of Postal Officials of Canada (APOC) to address key concerns, including workplace violence and harassment. • Worked with bargaining agents to proactively address issues and resolve grievances across various areas.

Canada Post segment

Our diverse workforce is found in every urban, rural and remote community across Canada. In 2024, our regular peak season temporary hiring was curtailed due to the labour disruption in the fourth quarter, reducing our paid headcount to approximately 62,300 employees at December 31, 2024 (2023 – 68,300).

Workforce by type of work – 2024*



* Includes paid full-time and part-time employees as at December 31, 2024; excludes temporary, casual and term employees.

Labour and employee relations

Number of employees covered by collective agreements.

Bargaining agent	Number of represented employees[a]	Expiry date of the collective agreement
CUPW-UPO[b]	34,620	January 31, 2024
CUPW-RSMC[c]	8,820	December 31, 2023
CPAA[d]	5,225	December 31, 2023
APOC[e]	4,347	March 31, 2025
PSAC/UPCE[f]	1,357	August 31, 2024
Total	**54,369**	

a. All full-time and part-time employees, including those on unpaid leave, as at December 31, 2024; excludes 16,252 temporary, casual and term employees.
b. CUPW-UPO: Canadian Union of Postal Workers – Urban Postal Operations, which represents plant and retail employees as well as letter carriers and mail service couriers.
c. CUPW-RSMC: Canadian Union of Postal Workers – Rural and Suburban Mail Carriers, which represents mail delivery couriers in rural and suburban Canada.
d. CPAA: Canadian Postmasters and Assistants Association, which represents rural post office postmasters and assistants.
e. APOC: Association of Postal Officials of Canada, which represents supervisors as well as supervisory support groups, such as trainers, route measurement officers and sales employees.
f. PSAC/UPCE: Public Service Alliance of Canada / Union of Postal Communications Employees, which represents employees who perform certain administrative, clerical, technical and professional work, including personnel in call centres, pay reporting, and technical employees in areas such as finance and engineering.

Status of negotiations

Negotiations are under way with all bargaining agents. Canada Post is committed to reaching new collective agreements with all bargaining agents.

Canadian Union of Postal Workers – Urban Postal Operations (CUPW-UPO) and Rural and Suburban Mail Carriers (CUPW-RSMC)

The collective agreements for CUPW-UPO and CUPW-RSMC expired January 31, 2024, and December 31, 2023, respectively. On December 13, 2024, following more than 30 days of a national strike, the Minister of Labour initiated a process with the Canada Industrial Relations

Board (CIRB) to evaluate the likelihood of Canada Post and CUPW reaching new agreements by the end of 2024. The CIRB ruled that the parties were at an impasse. Consequently, employees were ordered to return to work, ending the strike, and our postal operations resumed on December 17, 2024. The existing UPO and RSMC collective agreements were also extended until May 22, 2025.

In addition, the Minister appointed Commissioner William Kaplan to lead an Industrial Inquiry Commission. The Commission's broad mandate includes investigating the causes of the negotiation stalemate and may include recommended changes to the collective agreements. The Commission's hearings began in January 2025. The aim is to deliver recommendations to the Minister by May 15, 2025, that will help chart a roadmap for Canada Post's operational strategies.

The Corporation estimates that the labour disruption contributed $208 million to its loss before tax in 2024. There will likely be an impact from the labour disruption in 2025 and beyond. Canada Post and the CUPW participated in negotiations again in early March 2025.

Canadian Postmasters and Assistants Association (CPAA)

The existing collective agreement between Canada Post and the CPAA expired on December 31, 2023. According to the *Canada Labour Code*, the existing collective agreement continues to apply throughout the negotiation process. After more than a year of bargaining, Canada Post and the CPAA have reached an impasse in negotiations on some key issues. On December 12, 2024, Canada Post presented a global offer to the CPAA. While the parties agree on several issues, the CPAA has informed Canada Post that it believes the parties are at an impasse and would be proceeding to final offer selection. This process involves an arbitrator choosing one of the parties' final offers in its entirety.

While this process is under way, the terms and conditions of the existing collective agreement that expired on December 31, 2023, continue to apply. The bargaining process with the CPAA does not include the possibility of a labour disruption.

Public Service Alliance of Canada / Union of Postal Communications (PSAC/UPCE)

Negotiations have commenced between Canada Post and PSAC/UPCE. The existing collective agreement between Canada Post and PSAC/UPCE – which expired on August 31, 2024 – will continue to apply until the right to strike/lockout occurs in accordance with the *Canada Labour Code*. Bargaining sessions took place in August and November 2024 and will continue throughout the beginning of 2025; the parties are collaborating to address issues and are working together to achieve a negotiated agreement.

Association of Postal Officials of Canada (APOC)

Canada Post received a notice to bargain from the Association of Postal Officials of Canada (APOC) in December 2024. This is the official first step that begins the negotiation process for a new collective agreement. Following a short period of discussions, the parties agreed to defer further negotiations for a one-year period, with talks recommencing on March 1, 2026.

Although the current collective agreement between APOC and Canada Post expires on March 31, 2025, its terms and conditions will continue to apply.

In the interim, a 5% wage increase will take effect April 1, 2025. The parties have also agreed that the renewal collective agreement will be for a 5-year term, until March 31, 2030. The bargaining process with APOC does not include the possibility of a labour disruption. If a collective agreement cannot be reached when talks resume, either party may refer outstanding matters to an arbitrator for resolution.

Purolator segment

Number of employees covered by collective agreements.

Bargaining agent	Number of represented employees[a]	Expiry date of the collective agreement
Teamsters[b]	10,552	December 31, 2026
Teamsters[c]	546	December 31, 2027
PSAC[d]	141	December 31, 2027
Unifor[e]	103	December 31, 2027
Total	**11,342**	

a. All full-time and part-time employees, including those on unpaid leave, as at December 31, 2024; excludes temporary, casual and term employees.
b. Teamsters represent employees in operations (drivers and warehouse staff).
c. Teamsters represent clerical and administrative employees.
d. The Public Service Alliance of Canada represents clerical and administrative employees in the province of British Columbia.
e. Unifor represents clerical and administrative employees, in the province of Quebec.

4.2 Network, infrastructure and innovations

The Canada Post segment operates a vast network that requires significant coordination between the collection, processing, transportation and delivery activities. In 2024, Canada Post delivered nearly 6.4 billion pieces of mail, parcels and messages, an average of 25 million pieces per day. To process and deliver all the mail and parcels, our national network includes a large infrastructure:

22 processing plants

22,501 indoor parcel lockers

7,617 outdoor parcel lockers

5,716 post offices, corporately owned or managed by authorized dealers*

447 letter carrier depots

12,653 letter carrier routes

978 mail service carrier routes

8,204 rural and suburban mail carrier routes

17.6 million points of delivery

23,247 street letter boxes

1.7 million post office boxes (including general delivery)

222,765 community mailbox sites

* Excludes 196 additional parcel pickup locations, or post points, where customers can receive and induct parcels (including returns) and purchase prepaid shipping solutions such as flat rate boxes, prepaid envelopes and stamps.

2024 highlights

Network and capacity	• Completed 18 facility expansions, relocations and modifications, opened eight new facilities and closed five facilities. • Received over 750 C-250 right-hand drive vehicles to replace end-of-life vehicles, which include updated features that allow rural delivery agents to deliver mail safely and ergonomically.
Product and service innovations	• Introduced box-free label-free returns at post offices nationally for our ecommerce merchants and their customers. • Added over 5,000 customer pickup service areas across Canada for ecommerce merchants.

Technology	• Eliminated paper-based processes by upgrading the address inventory management tool to a mobile application, enabling agents to receive real-time updates. • Launched the MyCare Connect job bidding tool in Alberta and the Northwest Territories to streamline shift bidding for employees and improve efficiency across operations. • Launched the Canada Post Identity+ mobile app on iOS and Android, to enable businesses and government agencies to verify Canadians' identities and communicate with them securely. • Rebranded and implemented predictive search and smart answers on canadapost.ca, improving functionality, navigation and accessibility. • Completed several key program milestones in our Experience Transformation Program, steadily advancing toward the targeted July 2025 SAP S/4HANA deployment date.

4.3 Our environmental, social and governance achievements

2024 highlights

Environmental sustainability	• Completed a detailed climate risk assessment identifying the potential financial impacts of Canada Post's top climate-related risks and opportunities over the short, medium and long terms. • Switched to over 90% renewable electricity in Saskatchewan through a renewable subscription service agreement with SaskPower. • Finalized a life-cycle analysis study of our packaging to better understand its environmental impacts and inform our sustainable packaging strategy. • Deployed greenhouse gas reduction initiatives, such as electrification of heating systems and installation of solar panels. • Began roll out of our zero-waste program at over 80 plants and depots. • Completed an assessment of our impacts and dependencies on nature to inform the development of Canada Post's biodiversity strategy.
Environmental, social, governance (ESG) leadership	• Recognized by *Newsweek* and Statista as one of Canada's Most Responsible Companies for our commitment on climate change, social welfare and responsible governance. • Ranked 26th on the Best 50 Corporate Citizens list, with top-quartile scores in carbon productivity, diversity on the executive team and the Board of Directors, sustainable investment and air pollution.

	• Launched our first ESG 101 training to provide employees with an overview of Canada Post's commitment to leadership in environmental and social responsibility.
Governance	• Integrated privacy impact assessments into the investment decision-making process. • Conducted a public consultation on bilingual post office locations as part of the Official Languages Regulations Reapplication Exercise. Feedback informed proposed updates to the Corporation's bilingual network submitted to the Treasury Board Secretariat for validation. • Launched a new ethics workshop to refresh employees on applying ethical decision-making in everyday work life. • New Privacy Policy was approved by the Board of Directors. • Enhanced bilingual capabilities of portable display terminals carried by delivery agents for customer interactions.
Accessibility	• Launched our online training on accessibility awareness, supporting our Accessibility Policy and Strategy, in accordance with the *Accessible Canada Act*. • Introduced a new corporate policy on accessibility. • Completed internal accessibility audits of our access to information and privacy programs. • Developed the Delivery Accommodation Strategy and External Engagement Strategy to guide and spread awareness of the delivery accommodation program and other accessibility programs to better serve our customers.
Indigenous communities	• Intercepted non-mailable matter with an estimated street value of over $4.9 million from 3,675 mail items destined to Indigenous and northern communities. • Delivered 28 projects that improve postal services in Indigenous and northern communities. • Enhanced postal services to several communities by opening post offices in Malahat First Nation, Benoit First Nation and Seton Portage First Nation.

Our Sustainability Report is about our initiatives related to the environment, equity and inclusion, Indigenous reconciliation, and support of small businesses and local economies.

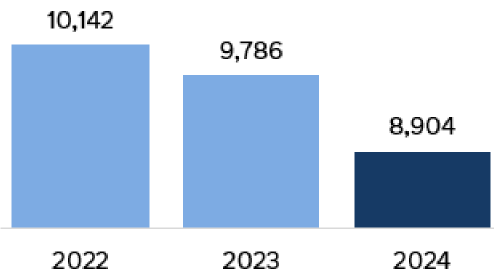
5. Discussion of Operations

A detailed discussion of financial performance in 2024.

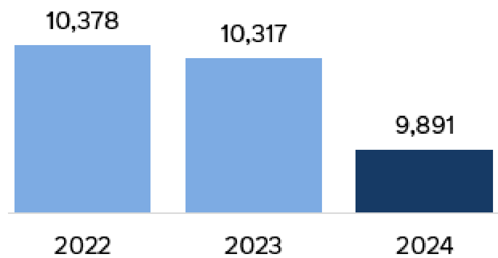
Unless otherwise indicated, results in this section are presented for 2024 compared to 2023.

5.1 Consolidated results from operations

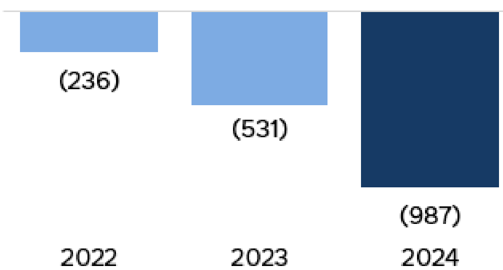
Revenue from operations
(in millions of dollars)



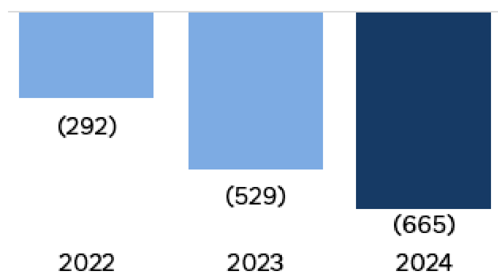
Cost of operations
(in millions of dollars)



Loss from operations
(in millions of dollars)



Loss before tax
(in millions of dollars)



Statement of comprehensive income (loss)
(in millions of dollars)

	2024	2023	$ change	% change
Revenue from operations	8,904	9,786	(882)	(9.7)%
Cost of operations	9,891	10,317	(426)	(4.9)%
Loss from operations	**(987)**	**(531)**	**(456)**	**(85.7)%**
Investing and financing expense, net	322	2	320	+
Loss before tax	**(665)**	**(529)**	**(136)**	**(25.8)%**
Tax (recovery) expense	(246)	108	(354)	(327.4)%
Net loss	**(419)**	**(637)**	**218**	**34.1%**
Other comprehensive income (loss)	953	(1,213)	2,166	178.6%
Comprehensive income (loss)	534	(1,850)	2,384	128.9%

+ Large percentage change.

2024 highlights (2024 compared to 2023)

Revenue Decline of $882M (-9.7%)	• Disposal of SCI in early 2024. • Canada Post segment labour disruption causing volume declines across all lines of business. • Decline offset by strong Direct Marketing performance in the Canada Post segment and increased revenue in the Purolator segment from its acquisition of Williams PharmaLogistics.
Costs Decline of $426M (-4.9%)	• Labour and non-labour savings from labour disruption. • Disposal of SCI in early 2024. • Lower non-capital investments in the Canada Post segment. • Decline partially offset by higher employee benefits in the Group due to discount rate declines.
Loss from operations Decline of $456M (-85.7%)	• Significant and deteriorating losses in the Canada Post segment partially offset by profit in the Purolator segment.
Investing and financing Increase of $320M (+)	• Non-recurring gain on sale (before tax) of SCI of $294 million in Q1 2024, and of Innovapost of $52 million in Q2 2024.
Loss before tax Decline of $136M (-25.8%)	• The gain on divestitures partially offset by deteriorating losses from operations.
Other comprehensive income (loss) Increase of $2,166M (+178.6%)	• Remeasurement gains on pension plans due to higher-than-expected asset returns and discount rate increases offset by experience losses and other assumption adjustments.

+ Large percentage change.

5.2 Operating results by segment

Profit (loss) from operations

(in millions of dollars)

	2024	2023	2022	2021	2020
Canada Post	(1,287)	(845)	(594)	(518)	(798)
Purolator	287	296	338	293	200
SCI	1	18	18	26	24
Consolidation entries and eliminations	12	–	2	3	4
Canada Post Group of Companies	**(987)**	**(531)**	**(236)**	**(196)**	**(570)**

Profit (loss) before tax

(in millions of dollars)

	2024	2023	2022	2021	2020
Canada Post	(841)	(748)	(548)	(490)	(779)
Purolator	294	293	317	269	176
SCI	–	14	16	24	20
Consolidation entries and eliminations	(118)	(88)	(77)	(49)	(43)
Canada Post Group of Companies	**(665)**	**(529)**	**(292)**	**(246)**	**(626)**

5.3 Canada Post segment

Summary of results

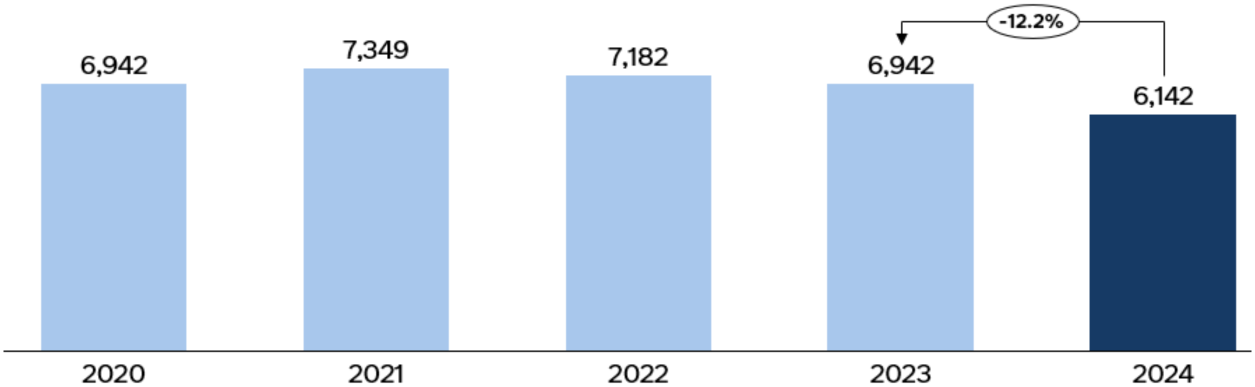
(in millions of dollars)

	2024	2023	$ change	% change
Revenue from operations	6,142	6,942	(800)	(12.2)%
Cost of operations	7,429	7,787	(358)	(5.3)%
Loss from operations	**(1,287)**	**(845)**	**(442)**	**(52.3)%**
Investing and financing income, net	446	97	349	360.4%
Loss before tax	**(841)**	**(748)**	**(93)**	**(12.4)%**

Net investing and financing income increased significantly due to dividend income from the divestitures of SCI in Q1 2024 and Innovapost in Q2 2024, which helped offset the increasing loss from operations. Of our $841 million loss before tax, we estimate that the labour disruption contributed a net negative impact of $208 million.

Revenue from operations

(in millions of dollars)



Revenue from operations declined $800 million (-12.2%). Volume declines in all lines of business were partially offset by new customer relationships and the launch of new products in the Canada Post Neighbourhood Mail™ service in mid-2023. Increased competition from new players in the ecommerce parcel delivery sector, along with economic uncertainty and the shift to digital services have been reducing consumer spending and contributing to these negative results. The labour disruption in the fourth quarter contributed an estimated $693 million to these declines.

Revenue and volumes by line of business

	Revenue (in millions of dollars)				Volume (in millions of pieces)			
	2024	2023	$ change	% change	2024	2023	change	% change
Domestic Parcels	2,279	2,832	(553)	(20.2)%	200	243	(43)	(18.6)%
Outbound Parcels	261	300	(39)	(13.6)%	12	12	–	(4.3)%
Inbound Parcels	223	313	(90)	(29.4)%	28	41	(13)	(32.3)%
Other	36	37	(1)	(4.8)%	–	–	–	–
Total Parcels	**2,799**	**3,482**	**(683)**	**(20.3)%**	**240**	**296**	**(56)**	**(19.9)%**
Domestic Lettermail	2,092	2,178	(86)	(4.7)%	1,942	2,114	(172)	(8.9)%
Outbound Letter-post	57	68	(11)	(17.3)%	26	31	(5)	(16.3)%
Inbound Letter-post	44	52	(8)	(14.9)%	41	51	(10)	(19.9)%
Total Transaction Mail	**2,193**	**2,298**	**(105)**	**(5.3)%**	**2,009**	**2,196**	**(187)**	**(9.3)%**
Personalized Mail™	365	407	(42)	(11.1)%	602	681	(79)	(12.3)%
Neighbourhood Mail™	421	387	34	8.0%	3,342	3,139	203	5.6%
Total Smartmail Marketing™	**786**	**794**	**(8)**	**(1.8)%**	**3,944**	**3,820**	**124**	**2.4%**
Publications Mail™	115	125	(10)	(9.1)%	151	171	(20)	(12.1)%
Business Reply Mail™ and other mail	14	17	(3)	(14.5)%	9	11	(2)	(22.2)%
Data Products	15	15	–	(4.7)%	–	–	–	–
Total Direct Marketing	**930**	**951**	**(21)**	**(3.0)%**	**4,104**	**4,002**	**102**	**1.8%**
Consumer products and services	**220**	**211**	**9**	**3.7%**	**–**	**–**	**–**	**–**
Total	**6,142**	**6,942**	**(800)**	**(12.2)%**	**6,353**	**6,494**	**(141)**	**(3.0)%**

Parcels

Parcels revenue decreased by $683 million (-20.3%) compared to 2023. Details by product category were as follows:

Domestic Parcels volume decreased -18.6% compared to 2023. Despite higher online shopping returns and improved service performance through mid-November, volumes declined as post-pandemic competition continued to drive Canada Post's loss of market share to other well-established global companies and low-cost entrants. Changes in customer and channel mix as well as a decrease in fuel surcharges (tied to market fluctuations) also contributed to declines. The labour disruption in the fourth quarter is responsible for the majority of the year-over-year decline in the domestic parcels business.

Outbound Parcels revenue, consisting of revenue collected from domestic customers for parcels destined to foreign posts, declined compared to the prior year. Outbound parcel revenue per piece differs by destination country and sales channel (retail consumers or commercial customers). In 2024, revenue was negatively impacted by the labour disruption in late 2024, which halted all outbound parcels in Canada Post's network.

Inbound Parcels revenue, which includes fees paid to Canada Post by other posts for items originating outside of Canada, decreased compared to 2023. As more countries make the transition from postal networks to competitive domestic channels and low-cost competitors, inbound volumes have steadily decreased. The labour disruption during peak season contributed to the year-over-year decline as some foreign postal administrations suspended their acceptance of packages bound for Canada.

Other Parcels revenue, which mostly consists of fees from the Customs Postal Inbound Program, was relatively flat in 2024 compared to 2023.

Transaction Mail

Transaction Mail revenue decreased by $105 million (-5.3%) on volume declines of 9.3%, compared to 2023. Details by product category were as follows:

Revenue for **Domestic Lettermail** volumes continued to erode through 2024 as digital communications continued to replace the traditional Lettermail™ service. It's possible that the labour disruption in the fourth quarter accelerated the migration away from mail to digital substitutions in 2025 and beyond. Canada Post requires regulatory approval to raise stamp prices. While prices are still significantly below the rate of inflation, new rates that took effect in January 2025 for Lettermail items, International Letter-post items, and special services and fees will help mitigate overall revenue declines expected in 2025. For stamps purchased in a booklet, coil or pane, which represent most stamp sales, the rate increased by 25 cents, from $0.99 to $1.24 per stamp. Overall, rates increased by a weighted average of 25.2%.

Outbound Letter-post revenue is collected from domestic customers for mail destined to other posts, while **Inbound Letter-post** revenue is collected by other posts and shared with Canada Post for delivering mail in Canada. Despite being relatively flat through Q3 2024, the labour disruption in the fourth quarter caused mail delivery to and from Canada and other foreign postal administrations to be suspended.

Direct Marketing

Direct Marketing revenue decreased by $21 million (-3.0%) compared to 2023. This line of business enables businesses and organizations to send offers, promotions and marketing messages to existing and prospective customers. The advertising industry is undergoing a structural shift, with new players and technologies such as artificial intelligence (AI) being used by marketers. This shift has resulted in volumes that are below pre-pandemic levels. The labour disruption in the fourth quarter also caused certain delays and cancellations of marketing materials. Details by product category were as follows:

Personalized Mail™ revenue declined, due to the adverse impacts of emerging digital platforms that leverage technology to reach consumers compared to traditional paper-based marketing offers.

Neighbourhood Mail™ revenue is growing through new customer relationships, sustainable mail formats and expanded distribution. Growth in Neighbourhood Mail is helping offset declines experienced in other Direct Marketing products.

Publications Mail revenue declined due to a continued drop in paper-based subscriptions as digital subscriptions are increasingly becoming the preferred delivery method.

Business Reply Mail™ and other mail products declined slightly as additional revenue from electoral events and data products subscriptions partly offset the negative impact of the labour disruption in the fourth quarter, which caused a halt to Business Reply Mail.

Consumer products and services

Consumer products and services increased by $9 million (+3.7%) in 2024, mainly due to logistics services for election mailings (such as warehousing and transportation) and products such as postal boxes and philatelic products, coins and collectibles. Reduced use of mail forwarding, a product tied to the Canadian real estate market, partially offset these gains.

Cost of operations

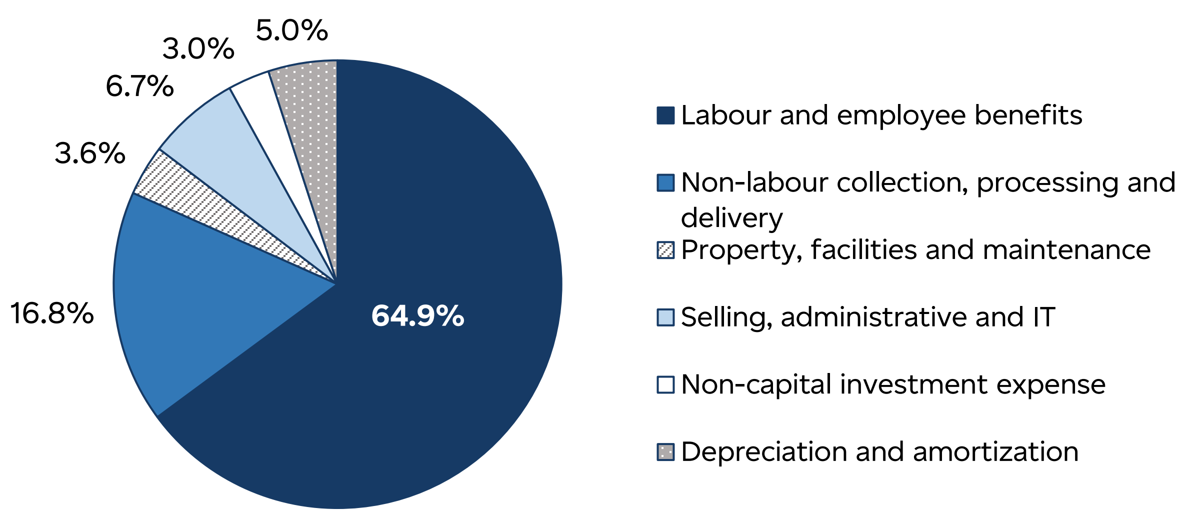
The Canada Post segment's cost of operations decreased $358 million (-5.3%) in 2024 compared to 2023, mostly due to the impact of the labour disruption in the fourth quarter. Better alignment of labour scheduling with volume fluctuations helped mitigate some costs, as did a decline in cost-of-living allowances compared to 2023, a high inflation year. Non-capital investment expenses declined as the business refocused its 2024 investment priorities, as did cost-reduction initiatives in several areas. Higher employee benefits primarily resulting from a lower discount rate partially offset these savings.

(in millions of dollars)

	2024	2023	$ change	% change	Explanation of significant variances
Labour	3,712	3,952	(240)	(6.8)%	Labour disruption and volume-related cost savings, offset by wage increases.
Employee benefits	1,108	937	171	17.3%	Decrease in discount rates. Additional detail below.
Total labour and employee benefits	**4,820**	**4,889**	**(69)**	**(2.2)%**	
Non-labour collection, processing and delivery	1,248	1,381	(133)	(10.3)%	Lower transportation costs, lower dealer, customs and other fees, and international settlements due to parcel volume declines caused by competitive pressures and the labour disruption.
Property, facilities and maintenance	271	261	10	3.4%	
Selling, administrative and IT	495	544	(49)	(9.8)%	Cost reduction initiatives in several areas.
Non-capital investment expense	224	359	(135)	(38.1)%	Adjusted focus on investment projects.
Total other operating costs	**2,238**	**2,545**	**(307)**	**(12.7)%**	
Depreciation and amortization	371	353	18	4.3%	Annualized impact of higher capital asset investments in 2023.
Total	**7,429**	**7,787**	**(358)**	**(5.3)%**	

Our business is labour-intensive; labour and employee benefit costs consumed 78.5% of revenue from operations and comprised 64.9% of the total cost of operations in 2024. The pie chart below shows the breakdown of each cost category as a percentage of cost of operations.

Components of operating expenses – 2024



Employee benefits

(in millions of dollars)

	2024	2023	$ change	% change	Explanation of significant variances
Pension	289	111	178	157.9%	Decrease in the discount rate used to measure the expense.
Post-employment health benefits	123	118	5	3.2%	Decrease in the discount rate used to measure the expense.
Other post-employment and other long-term benefits	121	114	7	5.5%	Higher actuarial loss in 2024 compared to 2023, resulting from experience and assumption adjustments.
Interest on segregated assets	(13)	(15)	2	16.5%	
Total post-employment and other long-term benefits	**520**	**328**	**192**	**57.4%**	
Active employee benefits and other	588	609	(21)	(4.3)%	Decreased statutory deductions.
Employee benefits	**1,108**	**937**	**171**	**17.3%**	

Purolator

5.4 Purolator segment

The Purolator segment's profit before tax increased by $1 million (+0.2%) compared to 2023.

Summary of results

(in millions of dollars)

	2024	2023	$ change	% change
Revenue from operations	**2,756**	**2,653**	**103**	**2.7%**
Labour	993	938	55	5.3%
Employee benefits	240	215	25	10.5%
Other operating costs	1,098	1,096	2	0.5%
Depreciation and amortization	138	108	30	26.1%
Cost of operations	**2,469**	**2,357**	**112**	**4.0%**
Profit from operations	**287**	**296**	**(9)**	**(3.3)%**
Investing and financing income (expense), net	7	(3)	10	367.9%
Profit before tax	**294**	**293**	**1**	**0.2%**

Revenue from operations increased compared to 2023 due to the late 2023 acquisition of Williams PharmaLogistics and a strong period of performance during the peak holiday season.

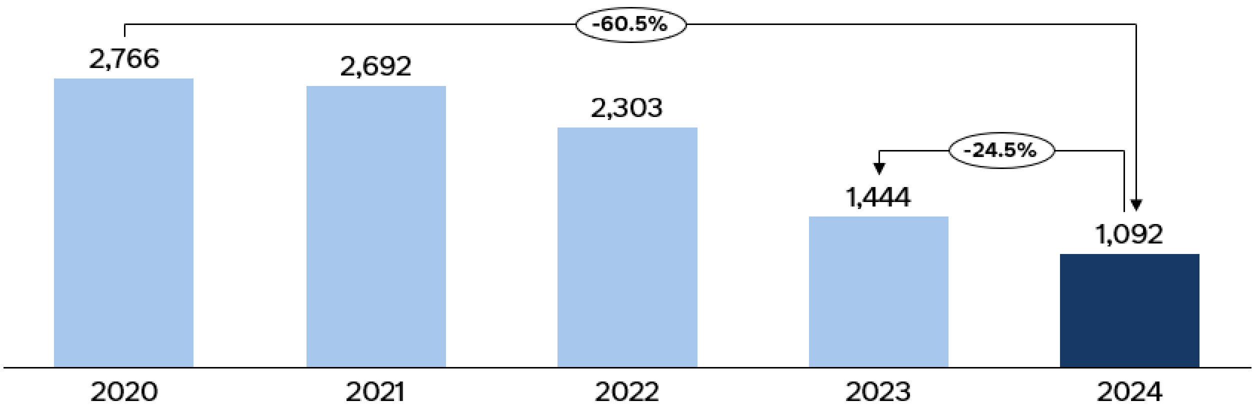
Labour costs increased due to higher volumes, inflation, and increases in employee and pension benefits due to lower discount rates. Depreciation also increased, driven by additional capital investments. Other operating costs were relatively flat. Investing income increased due to dividend income from the divestiture of SCI and Innovapost.

6. Liquidity and Capital Resources

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

6.1 Cash, cash equivalents and marketable securities

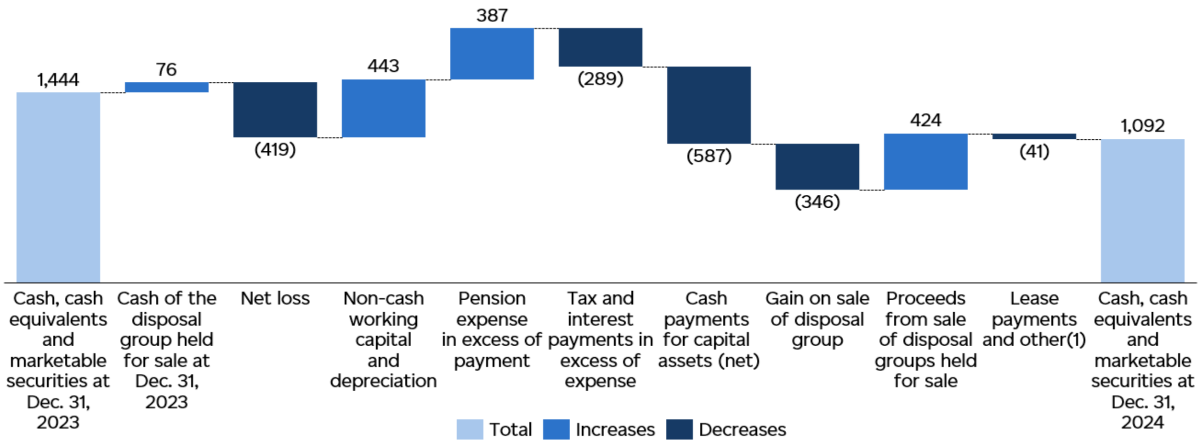
(in millions of dollars)



The Group held cash, cash equivalents and marketable securities of $1,092 million at December 31, 2024, compared to $1,444 million as at December 31, 2023. The decrease of $352 million (-24.5%) was mainly due to operating losses in the Canada Post segment, partially offset by cash inflows related to the divestitures of SCI and Innovapost.

Change in cash, cash equivalents and marketable securities for the year ended December 31, 2024

(in millions of dollars)



1. Includes effect of foreign currency exchange rate changes on cash and cash equivalents.

The decrease in cash, cash equivalents and marketable securities is mainly due to cash payments for capital assets and operating losses offset by cash inflows from the sale of SCI and Innovapost.

Consolidated statement of cash flows

(in millions of dollars)

	2024	2023	$ change	% change	Explanation of significant variances
Cash (used in) provided by operating activities	(224)	101	(325)	(323.6)%	Increased operating losses and changes in working capital partially offset by higher pension expense in excess of payments.
Cash (used in) provided by investing activities	(52)	4	(56)	+	A decrease in the proceeds (net of acquisitions) of securities partially offset by proceeds from the sale of SCI and Innovapost and lower cash payments for capital assets.
Cash used in financing activities	(115)	(142)	27	19.3%	Lower lease payments.

+ Large percentage change.

Capital expenditures

(in millions of dollars)*

	2024	2023	$ change	% change
Canada Post	246	384	(138)	(35.8)%
Purolator	271	196	75	39.3%
SCI	–	14	(14)	(100.0)%
Consolidation entries and eliminations	4	–	4	**
Canada Post Group of Companies	**521**	**594**	**(73)**	**(11.9)%**

* Capital expenditures include assets purchased but not yet paid for; they differ from the amount presented as cash payments for capital assets on the consolidated financial statements.

** The calculation is not mathematically meaningful.

Canada Post segment

(in millions of dollars)*

	2024	2023	$ change	% change
Capital expenditures	246	384	(138)	(35.8)%
Non-capital investment expense	224	359	(135)	(37.6)%
Total investment	**470**	**743**	**(273)**	**(36.7)%**

* Within one project, due to their nature, some costs meet IFRS Accounting Standards' criteria to be capitalized as an asset to the statement of financial position (capital investment), while others cannot, and must be expensed as other operating costs in the statement of comprehensive income (non-capital investment expense).

The capital and non-capital portions of Canada Post segment investments decreased by $273 million (-36.7%). Although the Corporation has a considerable network and infrastructure that requires a certain amount of investment to operate, Canada Post adjusted its investment focus in 2024 considering its financial situation. We prioritized projects that were essential for maintaining competitiveness, providing excellent service to Canadians and ensuring the safety of employees. In 2024 we focused on the following:

- Continued ongoing upgrades to our enterprise resource planning (ERP) system, bringing modernized technical platforms to various business processes.
- Maintained and replenished assets, including fleet, facilities, equipment and street furniture.
- Improved the efficiency of our network.
- Modernized our applications, infrastructure and customer-facing platforms.

We remain committed to the three pillars of our transformation plan, A Stronger Canada – Delivered. Given our financial situation and current challenges, 2025 investments will be largely limited to critical investments supporting the replenishment of assets (i.e., replacing assets that have become obsolete). Many of these assets have already been extended. In addition, several capacity initiatives were minimized, deferred or cancelled. Capital investment supporting growth remains necessary in select areas, such as meeting Canada Post's universal service obligation for new points of call (i.e., increase in addresses) throughout Canada. A small portion of the capital investments will also be used to fund ESG-related initiatives.

6.2 Canada Post Corporation Registered Pension Plan

The Canada Post Corporation Defined Benefit Registered Pension Plan (RPP) has assets with a fair value of $32.5 billion as at December 31, 2024, making it one of the largest single-employer sponsored pension plans in Canada. It is required to file annual actuarial valuations with the Office of the Superintendent of Financial Institutions (OSFI) to establish its funded status on a going-concern basis and a solvency basis. If the actuarial valuation reveals a shortfall of assets to liabilities on a going-concern basis, the *Pension Benefits Standards Act, 1985*, (the Act) requires Canada Post, as plan sponsor, to make special payments to the RPP to eliminate this shortfall over 15 years. Where the actuarial valuation reveals a shortfall of assets to liabilities on a solvency basis, aggregate solvency relief is available up to 15% of a plan's solvency liabilities, after which the Act requires the plan sponsor to make special payments to the RPP to eliminate the shortfall over five years.

Solvency relief

As the December 31, 2023, funded position of the RPP was positive and exceeded certain legislative thresholds, no special solvency payments were required for 2024.

Funding status

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

(in billions of dollars)

	December 31, 2024[1]		December 31, 2023	
	$	%	$	%
Going-concern surplus using the smoothed value of RPP assets[2]	7.6	130%	7.6	131%
Solvency surplus using market value of plan assets[2]	2.6	109%	2.2	108%
Solvency surplus to be funded using the three-year average solvency ratio-basis[3]	2.1	107%	0.6	102%

1. Final results for estimates of the financial position of the RPP as at December 31, 2024, are to be filed in 2025.
2. The going-concern ratio was above 125% and the solvency ratio was above 105%; therefore, no current service contributions were permitted in 2024.
3. The solvency ratio was above 100%; therefore, no special solvency payments were required in 2024.

The going-concern position remained stable during the year. The solvency surplus (using market value of plan assets) increased mainly due to higher-than-expected asset returns partially offset by a lower discount rate. As these funded ratios are estimated to continue to exceed legislative thresholds for the RPP as at December 31, 2024, Canada Post is expected to continue using the surplus and is not permitted to make regular current service contributions for 2025. Final actuarial valuation results may differ significantly from these estimates. The funded position and impacts on regular contributions will be reassessed at the next valuation date.

Contributions and special payments

Contributions and special payments to the defined benefit pension plan are as follows:
(in millions of dollars)

	2025 (estimate)	2024	2023
Employer's current service contributions	–	–	69
Employer's special transfer deficiency payments	–	–	2

Remeasurements

As the RPP sponsor, Canada Post records an accounting remeasurement, net of tax, in other comprehensive income. In 2024, a remeasurement gain, net of tax, for the RPP amounted to $872 million, primarily due to higher-than-expected asset returns and a discount rate increase offset by experience losses and other assumption adjustments.

6.3 Liquidity and capital resources

The Group manages capital, which it defines as the sum of loans and borrowings and equity of Canada. The Corporation's objectives in managing capital include the following:

- Maintaining sufficient liquidity to support financial obligations, operating and strategic plans.
- Maintaining financial capacity and access to credit facilities to support future development of the business.
- Safeguarding the Corporation's ability to operate as a going concern.

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

Liquidity

During 2024, the liquidity required by the Group to support financial obligations, fund capital and strategic requirements was provided by accumulated funds and immediately accessible lines of credit. Purolator had a total of $273 million of unrestricted cash on hand and undrawn, unsecured one-year revolving line of credit of $5 million as at December 31, 2024.

The Canada Post segment had $818 million of unrestricted liquid investments on hand as at December 31, 2024, resulting in a negative net liquidity position of -$180 million (2023 – positive +$170 million), after outstanding loans and borrowings of $998 million (2023 – $998 million). The decline in the segment's net liquidity position of $350 million is due to operating losses and higher costs to sustain the network, partly offset by cash received from the sale of SCI and Innovapost. Had it not been for these non-recurring divestitures, the net liquidity position would have declined by over $800 million. The Corporation is carefully managing discretionary costs and investment spending to preserve cash in the short term.

In July 2025, the Series 2 bonds of $500 million will mature and create significant cash flow pressure. At December 31, 2024, accumulated funds and immediately accessible lines of credit are insufficient to meet contractual repayment terms through 2025. Short-term liquidity measures in the form of repayable government funding were approved by the Governor in Council on January 31, 2025. Once final approval is received, this cash injection, under section 31 of the *Canada Post Corporation Act*, is required to prevent insolvency and ensure the continuity of postal services through the Government of Canada's fiscal year ending March 31, 2026. The Corporation anticipates receiving such funding in mid-2025. Refer to Note 4 (a.1), of Canada Post's audited consolidated financial statements for 2024 for judgments and estimates related to going concern.

Access to capital markets

Pursuant to *Appropriation Act No. 4, 2009-10*, borrowing from other than the Government of Canada's Consolidated Revenue Fund is limited to $2.5 billion, including a maximum of $100 million for cash management purposes in the form of short-term borrowings. In addition, pursuant to section 29 of the *Canada Post Corporation Act*, the Canada Post segment may also borrow a maximum of $500 million from the Government of Canada's Consolidated Revenue Fund. Any additional borrowings must be within the limits of the approved borrowing plan, and their terms and conditions require approval from the Minister of Finance. The Corporation believes that these arrangements provide it with sufficient and timely access to capital markets.

With $998 million of borrowings as at December 31, 2024, the Canada Post segment had $1,502 million of its $2.5 billion external borrowing limit that had not been used. The Corporation funded itself primarily through the use of cash on hand, funds generated from operations during 2024 and the pension plan funding relief permitted by legislation.

Pursuant to subsection 127(3) of the *Financial Administration Act*, the Minister of Finance approved the aggregate principal outstanding amount for all short-term borrowings in 2025 with a maturity of one year or less, which are not to exceed $600 million for the period ending December 31, 2025. Short-term borrowings may consist of a line of credit or the issuance of promissory notes that is not to exceed $100 million and additional short-term borrowing facilities for emergency cash management purposes that are not to exceed $500 million. Additional facilities may consist of borrowing from the Crown or otherwise, if made available.

6.4 Risks associated with financial instruments

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

(in millions of dollars)

	Fair value through OCI	Measured at amortized cost[a]	Total
Cash	–	740	740
Cash equivalents	62	–	62
Marketable securities	290	–	290
Trade, other receivables and contract assets	–	900	900
Segregated securities	337	–	337
Total financial assets	**689**	**1,640**	**2,329**
Non-interest bearing[b]	–	1,193	1,193
Loans and borrowings	–	998	998
Total financial liabilities	**–**	**2,191**	**2,191**

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

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

Market risk

Interest rate risk

The Groups' investments consist of cash equivalents, marketable securities and segregated securities, and are classified as fair value through other comprehensive income (OCI).

Substantially all investments are fixed-rate debt securities; therefore, they are exposed to a risk of change in their fair value due to changes in interest rates. The risk is managed by either maintaining a short term to maturity or, in the case of segregated securities, extending terms to maturity to better match certain long-term post-employment obligations to which they are externally restricted. The average duration of the segregated security portfolio was 10 years as at December 31, 2024 (2023 – 10 years).

Based on a sensitivity analysis of interest rate risk, it is expected that an increase or decrease of 1% in market interest rates, with all other variables held constant, would decrease or increase the value of the segregated securities by $33 million (2023 – $40 million), which would represent an impact on the fair value of the Groups' investments at December 31, 2024, and on other comprehensive income or loss.

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

Commodity risk

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

Liquidity risk

Liquidity risk is the risk that a company will not be able to meet its financial obligations as they fall due. The Group manages liquidity risk by maintaining adequate cash reserves, banking facilities and reserve borrowing facilities by monitoring forecasted and actual cash flows and matching the maturity profiles of financial assets and liabilities. For 2025, liquidity risk will be further managed through repayable government funding. Surplus cash is invested into a range of short-term money market securities. The Group invests in high credit quality government or corporate securities in accordance with policies approved by the Board of Directors.

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

6.5 Contractual obligations and commitments

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

(in millions of dollars)

	Less than 1 year	1-5 years	More than 5 years	Total
Non-interest bearing[a]	1,193	–	–	1,193
Bonds[b]	500	–	500	1,000
Interest on bonds	42	87	240	369
Lease liabilities[c]	155	587	1,619	2,361

a. Non-interest bearing consists of financial liabilities included in trade and other payables and salaries and benefits payable.

b. Bonds constitute direct, unconditional and unsecured obligations of the Corporation and direct, unconditional obligations of the Government of Canada. Bonds include two series issued in July 2010, with a nominal value of $500 million each, maturing in July 2025 and July 2040. Interest is paid semi-annually with coupon rates of 4.08% and 4.36%.

c. Represents contractual undiscounted cash flows for lease payments associated with facilities, vehicles and plant equipment.

Contractual arrangements with third-party suppliers that contain a commitment or fee for the ability to terminate for convenience approximated $248 million at December 31, 2024, for contracts in effect until 2045. These arrangements are excluded from the table above.

6.6 Related party transactions

Government of Canada

The Corporation has transactions with related parties in the normal course of business and in support of the Government of Canada's public policies. Revenue earned from related parties for 2024 was $313 million (2023 – $302 million), the majority of which was from commercial contracts relating to postal services provided to the Government of Canada. Included in this amount was compensation from the Government of Canada for parliamentary mail services and mailing of materials for people who are blind sent free of postage, which amounted to $22 million (2023 – $22 million).

6.7 Contingent liabilities

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

7. Changes in Financial Position

A discussion of significant changes in our assets and liabilities between December 31, 2024, and December 31, 2023.

(in millions of dollars)

ASSETS	2024	2023	$ change	% change	Explanation of significant variances
Cash and cash equivalents	802	1,109	(307)	(27.7)%	Refer to Section 6 Liquidity and Capital Resources.
Marketable securities	290	335	(45)	(13.6)%	Maturities and lower purchases of marketable securities due to lower cash surplus.
Trade, other receivables and contract assets	900	963	(63)	(6.5)%	Labour disruption driving lower receivables in the Canada Post segment, partially offset by higher receivables in the Purolator segment.
Income tax receivable	2	6	(4)	(60.3)%	
Other assets	139	123	16	13.9%	Higher prepaid expenses in the Canada Post and Purolator segments.
Assets of disposal groups held for sale	–	424	(424)	*	Disposal of SCI and Innovapost in 2024.
Total current assets	**2,133**	**2,960**	**(827)**	**(27.9)%**	
Property, plant and equipment	4,053	3,935	118	3.0%	Acquisitions in excess of depreciation.
Intangible assets	248	252	(4)	(1.4)%	Lower software under development.
Right-of-use assets	1,451	1,285	166	13.0%	New leases and lease renewals exceeding depreciation.
Segregated securities	337	398	(61)	(15.4)%	Payments for retirement dental and life insurance benefit plans in the Canada Post segment.
Pension benefit assets	4,462	3,471	991	28.5%	Remeasurement gains in the Canada Post Corporation Registered Pension Plan (RPP), primarily from higher-than-expected return on assets and discount rate increases, offset by experience losses and other assumption adjustments.
Goodwill	161	161	–	–	
Other assets	61	55	6	8.5%	
Total non-current assets	**10,773**	**9,557**	**1,216**	**12.7%**	
Total assets	**12,906**	**12,517**	**389**	**3.1%**	

* The calculation is not mathematically meaningful.

(in millions of dollars)

LIABILITIES	2024	2023	$ change	% change	Explanation of significant variances
Trade and other payables	830	880	(50)	(5.7)%	Lower payables in the Canada Post segment offset by higher payables in the Purolator segment due to the labour disruption and timing.
Salaries and benefits payable	537	656	(119)	(18.2)%	Lower accrued salaries and benefits in all segments.
Loans and borrowings	500	–	500	*	Series 2 bonds maturing in July 2025 in the Canada Post segment and, therefore, a current liability.
Provisions	68	63	5	10.4%	Increased provisions in the Purolator segment.
Income tax payable	30	–	30	*	Tax payable on the divestiture of SCI.
Deferred revenue	200	172	28	16.3%	Increase in the Canada Post segment due to the impact of the labour disruption.
Lease liabilities	100	94	6	5.7%	
Other long-term benefit liabilities	54	56	(2)	(5.1)%	
Liabilities directly associated to disposal groups held for sale	–	299	(299)	*	Disposal of SCI and Innovapost in 2024.
Total current liabilities	**2,319**	**2,220**	**99**	**4.5%**	
Lease liabilities	1,567	1,390	177	12.8%	Net lease additions higher than payments.
Loans and borrowings	498	998	(500)	(50.1)%	Reclassification to current given maturity of bonds in July 2025.
Pension, other post-employment and other long-term benefit liabilities	3,229	3,118	111	3.6%	Increase in non-cash expense and remeasurement losses offset by benefit payments.
Deferred tax liabilities	147	169	(22)	(12.5)%	Remeasurement gains on pension plans from higher-than-expected return on pension assets and discount-rate increases, offset by experience losses and other assumption adjustments.
Other liabilities	46	48	(2)	(1.1)%	
Total non-current liabilities	**5,487**	**5,723**	**(236)**	**(4.1)%**	
Total liabilities	**7,806**	**7,943**	**(137)**	**(1.7)%**	

* The calculation is not mathematically meaningful.

EQUITY	2024	2023	$ change	% change	Explanation of significant variances
Contributed capital	1,155	1,155	–	–	
Accumulated other comprehensive income (loss)	5	4	1	49.9%	
Retained earnings	3,849	3,337	512	15.3%	Remeasurement gains on pension plans and the gain on sale of SCI and Innovapost, partially offset by net losses.
Equity of Canada	**5,009**	**4,496**	**512**	**11.4%**	
Non-controlling interests	91	78	13	14.7%	
Total equity	**5,100**	**4,574**	**526**	**11.5%**	
Total liabilities and equity	**12,906**	**12,517**	**389**	**3.1%**	

* The calculation is not mathematically meaningful.

8. Risks and Risk Management

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

Risk management overview

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

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

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

Canada Post is committed to refining and enhancing its ERM processes to ensure completeness, high quality risk assessments, effective management of principal risks, and meaningful discussions among senior leaders. 2024 highlights:

- improved ERM framework and reporting;
- increased ERM training and awareness.

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

Risk governance and oversight: Three lines of defence

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

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

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

Risk appetite

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

- ensure Canada Post's purpose and objects of financial sustainability;
- are understandable and manageable in support of the Corporation's transformational goals;
- foster innovation and improvements to the employee and customer experience;
- align with the long-term needs of Canadians.

Roles and responsibilities

The Board of Directors is responsible for governing and overseeing the Corporation's principal risk assessment, establishing risk appetite and ensuring management implements appropriate systems to manage risks. The Environmental, Social and Governance Committee governs ERM at Canada Post. In 2024, the Corporation's Management Executive Committee (MEC) ensured that a regular principal risk assessment was completed and that risk management systems were established, including the ERM team, policy, framework, practice and risk register. MEC oversaw risk culture and risk reporting. Each principal risk category was assigned to an owner who contributed to risk assessments and managed the day-to-day mitigation efforts. Finally, a dedicated ERM team developed, managed, executed and supported all ERM processes.

8.1 Definition of risk

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

8.2 Emerging risks

Economic uncertainty

Risk

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

- reduced retail spending from diminishing consumer confidence and disposable income resulting in lower ecommerce parcel revenue;

- cuts to our customers' marketing budget that threaten Canada Post Smartmail Marketing™ volumes;
- investment, global supply chain and labour challenges that lead to higher costs and delays to transformation and capital projects;
- new administration with our largest trading partner and tariff situation.

Risk mitigation

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

Artificial intelligence

Risk

Artificial intelligence (AI) involves simulating human intelligence in machines designed to process information and learn similarly to humans. While AI provides numerous benefits and has the potential to enhance productivity, decision-making and operational efficiency for Canada Post, it also presents significant risks. The risks include competitors using AI to accelerate their performance faster than Canada Post can adapt, and also Canada Post's non-compliance with legal obligations in privacy, human rights, information security and intellectual property if the tools are not used responsibly (i.e., without any human oversight of AI use and outcomes).

Risk mitigation

In addition to consultations with the federal government and Crown corporations on an internal framework to guide the use of AI, Canada Post is implementing a comprehensive approach to governance that includes a new corporate policy on the ethical and responsible use of AI in the workplace, an AI governance board, risk-based assessments prior to the adoption of AI systems and employee training.

The intent of the governance model is to help ensure compliance with applicable laws, regulations and standards, to put in place controls and guardrails for all AI users when using AI systems and tools, and to establish accountability and responsibility for the deployment and use of AI at Canada Post.

8.3 Principal risks

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

Regulatory risk

Risk

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

Risk mitigation

On October 28, 2024, the 2025-29 Corporate Plan (Plan) was submitted to the Government of Canada. Treasury Board approved the first year of the Plan (2025), which included a 25% regulated Lettermail rate increase (effective January 2025), borrowing and leases plan (including increases to Canada Post's existing short-term borrowing facility) and 2025 operating and capital budgets.

Short-term liquidity measures presented within the Plan, in the form of repayable government funding, were approved by the Governor in council on January 31, 2025. Once final approval is received, all amounts placed at the disposal of the Corporation pursuant to section 31 are to be reimbursed to the Minister of Finance from the annual revenues of the Corporation in so far as such revenues are sufficient. While the Corporation continues to work with its shareholder and bargaining agents to address the significant long-term structural and financial issues facing the national postal service, this cash injection is required to prevent insolvency and ensure the continuity of the postal service through the Government of Canada's fiscal year ending March 31, 2026.The Corporation anticipates receiving such funding in mid-2025.

Labour agreements

Risk

Complex collective agreements continue to constrain our ability to compete in a rapidly evolving marketplace, including restrictions on how we can change our delivery model to better meet Canadians' needs, and employee benefit plans, wages and leaves that are above competitor offerings. After more than a year of active negotiations with the Canadian Union of Postal Workers (CUPW), including conciliation and a special mediation process, the parties have not yet reached new collective agreements for CUPW's two bargaining units.

Concurrently to CUPW negotiations, Canada Post is also in collective bargaining with the Canadian Postmasters and Assistants Association (CPAA), the Public Service Alliance of Canada/Union of Postal Communications Employees (PSAC/UPCE) and the Association of Postal Officials of Canada (APOC).

Risk mitigation

Canada Post's objective during any collective bargaining process is to build a framework for growth, while protecting its financial self-sustainability, in a manner that provides fair and reasonable working conditions to its employees and service to Canadians. Despite new CUPW collective agreements not being reached prior to December 31, 2024, Canada Post implemented a wage increase of 5% for employees retroactive to the expiry of existing collective agreements. Further, the Minister of Labour appointed an Industrial Inquiry Commission to examine the current collective bargaining dispute as well as Canada Post's broader financial situation and competitiveness. The Commission is expected to provide its report to the Minister by May 15, 2025.

The collective agreements for the CPAA and APOC provide an alternative resolution process, through final offer selection arbitration as opposed to a strike or a lockout, should the parties reach an impasse. The CPAA has informed Canada Post that it intends to refer all outstanding issues in current negotiations to a mutually agreed-upon arbitrator for final offer selection arbitration.

Business-to-consumer parcel market competition

Risk

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

- low-cost labour models and asset-light delivery models that deliver on heightened consumer expectations for service performance, delivery speed, and flexible delivery options, including weekends, same-day and next-day delivery result in increased global competition;
- competitors are enhancing delivery and return capabilities and partnering with other major competitors to strengthen their value proposition;
- customers continue to shop online and adopt ecommerce marketplace and fulfillment platforms, reducing their direct relationship with Canada Post, resulting in market share erosion, and negative brand impacts;
- customers ship with multiple carriers and are selecting the best rate for each parcel. Small and mid-sized businesses use third-party platforms to find the lowest possible rate for each parcel;

- the global ecommerce landscape is rapidly changing, with significant erosion in international inbound parcel volumes in the traditional postal stream. Volumes are migrating to competitive third-party domestic last-mile delivery providers.

Risk mitigation

Focusing on customer experience is critical to our planning and decision-making. Service enhancements such as box-free and label-free returns help us capture or maintain market share in this highly competitive industry. Launching in mid-2025, the Experience Transformation Program is set to deliver a new pricing structure and make significant improvements to our billing and invoicing for customers.

Talent management

Risk

Canada Post's ability to compete, grow and innovate is dependent on the ability to attract, engage, develop and retain key talent. Our decision-making autonomy related to the compensation of non-union employees is limited by federal regulations. Salary bands have remained frozen for almost a decade, creating inequalities within the workforce and impacting the Corporation's ability to retain top talent. The external hiring freeze for management employees, implemented as a cost-control measure in mid-2024, means that our talent management activities are even more critical.

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

Risk mitigation

Talent and succession planning strategies are used to foster employee development and increase the talent pool, emphasizing job readiness programs. We have also reinforced the importance of stress management and work-life balance in supporting employee well-being, encouraging our people to leverage the Employee and Family Assistance Program as a valuable resource.

Canada Post is committed to identifying and eliminating employment barriers and regularly promotes an inclusive workplace for employees and Canadians. We focus on preferential hiring for under-represented people in geographical areas that are significantly below the Canadian labour market availability (CLMA), and have employment policies that foster greater accessibility and inclusion for Indigenous Peoples and people with disabilities. We also introduced an Anti-Racism and Anti-Discrimination Charter focused on furthering a sense of belonging for employees in the workplace.

Security and privacy: Physical mail, data breaches and fraud

Risk

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

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

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

Risk mitigation

Canada Post has established a robust cyber security program to reduce the threat of cyberattacks and ensure remediation of known and unknown threats in an ever-evolving threat landscape. This program includes capabilities such as advanced network and endpoint detection and response systems, continuous threat and exposure management, robust identity controls, and various other tiers of network and system protection. A strong focus on cybersecurity vendor risk management has been established to ensure that we identify and address risks arising from our partner ecosystem.

With regular monitoring and reporting to ensure that only authorized users access our data, physical and electronic security measures protect the mail, information and data, while breach and incident management protocols manage data breaches.

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

Information technology: Transformation project execution

Risk

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

Risk mitigation

Canada Post enhanced its operating model to improve processes, agility, increased automation and cross-training. Our IT transformation plan was implemented in April 2024 through the divestiture of Innovapost and established a partnership with a world-class global IT leader, that provides access to the global expertise needed to navigate our complex IT environment. Specialized partners are engaged to support ongoing projects such as the Experience Transformation (XT) program, and we have conducted a comprehensive risk assessment of our IT applications. A strong IT strategy and adaptable architectures will enhance the execution of the XT program by providing flexibility, scalability and alignment with business goals, leading to cost efficiency, improved governance and continuous improvement support for iterative evolution and the incorporation of new technologies and practices.

Health and safety

Risk

Evolving statutory requirements, lack of employee knowledge, unexpected events such as extreme weather and competency on health and safety topics affect the physical and psychological safety of employees, visitors, contractors and the public.

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

Risk mitigation

The health and safety, and well-being of our employees, customers and the communities we serve, is our number one priority. We believe that all occupational injuries, illnesses and incidents are preventable. Our risk-based approach was employed through 2024, and included a continued focus on the transformation of our health and safety management culture through the following:

- new high-injury site reduction initiatives that included safety resets and an improved governance process;
- two health and safety summits focused on life safety, structured verification activities and improved investigations;
- emphasis on road safety through training and coaching with a focus on improving driver behaviours and reducing vehicle incidents;

- a disability management strategy;
- extreme weather event safety protocols with a focus on impacts to employees and facilities.

Core mail volume declines

Risk

Lettermail experienced its 18th consecutive year of volume decline in 2024, as a result of digital transformations, regulatory changes, ongoing economic uncertainty, mail delivery cost increases and Canadians' changing behaviour.

While Neighbourhood Mail volumes surged in 2024 due to new customer relationships, sustainable mail formats and expanded distribution, we experienced softness in personalized mail due to economic factors and strong competitive pressure from digital advertising. Environmental sustainability of unaddressed advertising, particularly related to the use of plastic bags, create the potential for activism and new regulations.

Greater mail volume erosion may persist into 2025 due to labour uncertainty causing greater digital substitution.

Risk mitigation

We continue to enhance features within the MyMail app to provide notifications about incoming mail and a history of previously delivered items. We will continue to evaluate new value-added solutions to enhance customer experience. We continue to invest in modernizing and improving our customer tools and data solutions to bolster our value proposition in the market, and work closely with the mailing industry, agencies, and our customers to defend the value of mail.

We are working with industry partners and retailers to reduce packaging and plastic waste in the mail stream and expand our offering of sustainable packaging and delivery solutions.

Pension obligation

Risk

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

Risk mitigation

When there are funding deficits, regulations of the *Pension Benefits Standards Act, 1985,* require that special contributions be made over specified future periods. For the years 2023 and 2024, the Corporation was not permitted to make employer current service contributions, largely due to the Plan's strong financial position. Furthermore, no special solvency payments were required. This will likely extend to 2025 as well, given the projected solvency surplus.

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

Climate change

Risk

Physical risk – Canada Post may experience major service disruptions caused by climate-induced weather events or disasters. In the short term, the most significant risks are expected to come from wildfires and flooding due to extreme precipitation. In the future, Canada Post may face additional climate-related risks including the impacts of extreme heat and rising sea levels. These risks may lead to a temporary inability to deliver services through disruptions in the physical and digital networks, an inability of employees to conduct their work, and impacts on the supply chain causing decreases in volumes, revenues and negative brand impacts. Additionally, employee health and safety concerns increase with these risks.

Transition risk – There is a risk that Canada Post will face increased costs as the world makes the transition to a low-carbon economy. Policy actions such as carbon pricing may lead to increases in operating costs, and technology shifts to reduce climate impacts may require large amounts of capital investment in infrastructure and equipment. Shifts in energy markets may also occur as the world makes the transition to renewable energy sources, contributing to energy price volatility, especially for fossil fuels.

Risk mitigation

Oversight for climate-related risks is provided by the Environmental, Social and Governance Committee. Canada Post conducts annual risk assessments to identify its top climate-related risks and their potential impacts. The results of these assessments inform the integration of climate considerations into business and decision-making processes throughout the organization. We have begun the shift to a lower-carbon operating model, with the 2024 introduction of full electric last-mile vehicles for a small portion of our fleet and the switch to over 95% renewable electricity in Alberta and Saskatchewan. We will work to improve resiliency in operations and delivery through response and recovery planning, including incident management, business continuity planning, disaster recovery and emergency management.

Environmentally sustainable practices

Risk

As a major delivery company operating one of Canada's largest fleets, Canada Post has an important role to play in building a sustainable future, and the company is committed to minimizing its environmental impacts. There are growing expectations among our customers, unions, the Government of Canada and all Canadians, and failing to meet them may lead to negative brand impacts, financial impacts related to increasing carbon pricing, operational and network restrictions, and decreases in volumes as customers shift to alternate carriers that better align with their sustainability values. Regulatory non-compliance with existing and emerging laws requiring action and transparency on environmental sustainability are also risks. These risks are further exacerbated by financial constraints that limit investments required to meet reduction targets and other sustainability goals.

Risk mitigation

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

The Corporation's climate strategy involves commitment to a 50% reduction of operational greenhouse gas emissions by 2030 and achieving net-zero emissions across its value chain by 2050. This strategy is aligned with the 1.5°C pathway of the Science Based Targets initiative (SBTi). Initiatives to achieve the 2030 goal include electrifying a portion of our last-mile fleet, investing in renewable energy, and implementing emission-reduction projects in our buildings. In 2024, we completed the development of our strategy to achieve our longer-term goal, defining key initiatives and interim targets to reach at least a 90% reduction in emissions across our value chain by 2050.

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

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

The Environmental, Social and Governance Committee along with a dedicated team of subject-matter experts are in place to lead and manage Canada Post's strategy to continue to drive leadership in environmental sustainability.

Other key risks

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

9. Critical Accounting Policies, Estimates and Judgments

A review of changes in accounting policies in 2024 and future years and critical accounting estimates.

9.1 Accounting policies

Information on Canada Post's accounting policies are provided in Note 3 of Canada Post's audited Consolidated Financial Statements for 2024, while information on the application of new and revised International Financial Reporting Standards are provided in notes 5 (a) and 5 (b) of the same report.

9.2 Critical accounting judgments and estimates

The preparation of the Corporation's consolidated financial statements requires management to make complex or subjective judgments, estimates and assumptions based on existing knowledge that affect reported amounts and disclosures. Actual results may differ from the estimates and assumptions. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects current and future periods. Information on Canada Post's critical accounting estimates and judgments are provided in Note 4 of its 2024 audited consolidated financial statements. For 2024, the most significant accounting judgments and estimates related to going concern (Note 4 [a.1]), pension plan actuarial assumptions and their related sensitivity (Note 10 [h]) and deferred income taxes (Note 11).

9.3 Internal controls and procedures

Disclosure controls and procedures

Disclosure controls and procedures are designed to provide reasonable assurance that all relevant information is gathered and reported accurately and on a timely basis, in accordance with established standards and regulations. The President and Chief Executive Officer (CEO) and the Chief Financial Officer (CFO) have evaluated the effectiveness of the Group's disclosure controls and procedures related to the preparation of the Management's Discussion and Analysis and the consolidated financial statements. The President and CEO and the CFO have concluded that the design and operation of disclosure controls were effective for the year ending December 31, 2024.

Internal control over financial reporting

Internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with IFRS Accounting Standards. The President and CEO and the CFO have assessed the effectiveness of the Group's internal control over financial reporting for the year ending December 31, 2024, in accordance with the Internal Control – Integrated Framework, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and concluded it was effective. This process aligns with best practices established in National Instrument 52-109 issued by the Canadian Securities Administrators (CSA), for which Canada Post voluntarily complies.

Changes in internal control over financial reporting

In Q2 2024, Purolator oversaw the deployment and technical upgrade of the enterprise resource planning (ERP) system, resulting in a material change in internal controls over financial reporting for the period of implementation. Management conducted pre-implementation testing and post-implementation reviews to ensure that the transition was properly designed and executed to prevent material financial statement errors. Based on such testing, continuous monitoring and implementation of transitionary controls, management concluded that the transition did not cause material misstatements in our financial statements for the year ending December 31, 2024.

There were no other changes in internal control over financial reporting during the year ended December 31, 2024, that have materially affected, or are reasonably likely to materially affect, the Corporation's internal control over financial reporting.

10. Outlook for 2025

Our prospects for 2025.

10.1 Global economy and Canada

In 2025, the International Monetary Fund (IMF) forecasts global economic growth to stay steady at 3.3%; virtually unchanged from 2024's estimated 3.2% growth. The IMF's economic forecasts throughout 2024 reflect a trend of the United States' economic outperformance relative to the rest of the world. Other advanced economies, such as Canada's, are expected to see steadier growth.

Canada's gross domestic product (GDP) growth is expected to rise slightly from 1.1% in 2024 to 1.8% in 2025 as the lagged effect of interest rate cuts work their way through the economy. One of the largest sources of uncertainty for Canada's GDP in 2025 is the outcome of U.S.-Canada trade negotiations. It is estimated that approximately 75% of Canada's exports are U.S.-bound and account for approximately 20% of Canada's GDP. An adverse relationship or sudden trade swings with its largest trading partner would have a material impact on Canada's economy.

As for Canada's housing market, broad supply constraints and affordability pressures are expected to continue. However, the effects of a slow economy and a renewed foreign-home-buyer ban could keep home prices stagnant. In early 2024, the federal government extended its ban until 2027, which was created to reduce real estate speculation. The Canadian Real Estate Association (CREA) estimated that the average home price rose 2.5% in 2024. The CREA along with major banks have signalled a potential uptick in home buying for 2025 due to the timing of interest rate cuts and the highest activity season. That said, the CREA has stated that a new cohort of homebuyers has yet to appear in their data, activity is not expected to reach pre-pandemic levels and growth will vary between regions.

Canada Post businesses are expected to be affected by the state of Canada's economy.

	2024	2025 forecast	2026 forecast
Economic (% change)			
Real gross domestic product (GDP)	1.1%	1.8%	2.0%
Inflation (consumer price index [CPI])	2.5%	2.1%	2.2%
Demographic (% change)			
Total population growth	2.3%	(0.2%)	(0.2%)
Housing starts growth	2.1%	3.4%	0.0%

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

10.2 Our business

Canada Post segment

Our business environment

Over the next decade, Canada's ecommerce parcel market is projected to double in volumes, presenting an opportunity for growth at Canada Post. However, several challenges may impede our ability to retain or expand our market share:

- **Financial constraints**: Canada Post has reported consecutive annual losses from operations since 2018, totalling over $4.5 billion.
- **Operational rigidity:** Our current delivery model is inflexible, with routes based on a fixed number of addresses, rather than actual delivery volume. This rigidity leads to significant overtime costs, especially when providing evening and weekend services, which are now industry standards.
- **Intensifying competition:** The post-pandemic landscape has seen a surge in low-cost, asset-light delivery companies offering fast, seven-day-a-week services. Back-end merchant-rate shopping platforms are selecting carriers based on cost and service levels and options, including weekend delivery.

We must carefully evaluate our investment strategies to remain competitive in the face of market and financial pressures. Beyond the ecommerce sector, our Transaction Mail business performance continues to decline. Mail volumes continue to erode and increasing costs will be incurred to deliver to an increasing number of addresses. In our Direct Marketing line of business, while our Neighbourhood Mail™ service has seen growth through 2024, digital substitution continues to have a negative impact on volumes and revenue in other Direct Marketing products. These market forces and Canada Post's current regulatory framework will make it difficult for the Corporation to maintain market share without increased flexibility and significant structural changes.

Support from our shareholder: Solutions for 2025 solvency and planning for the future

Our cash and cash equivalents are depleting quickly. The following short-term measures will provide us the means to maintain cash solvency through the 2025 fiscal year:

- **Increase of 25% to regulated Lettermail™ rates.** In January 2025, Canada Post increased regulated rates for stamps, Lettermail items, International Letter-post items, and special services and fees, which will help mitigate the impact to revenue of volume declines expected in 2025.
- **Government cash injection up to $1.034 billion.** In accordance with section 31 of the *Canada Post Corporation Act*, the Corporation has applied to receive amounts required to enable it to meet its operating and income charges which are not sufficiently covered by its expected available revenues during the 2025-26 Government of Canada fiscal year ending March 31, 2026. Governor in council approval was received January 31, 2025. Once final approval is received, all amounts placed at the disposal of the Corporation pursuant to section 31 shall be reimbursed to the Minister of Finance from the annual revenues of the Corporation in so far as such revenues are sufficient. The Corporation anticipates receiving such funding starting in mid-2025.
- **Approval of the first year of the Corporation's 2025-29 Corporate Plan**, including the 2025 borrowing and leases plan, and 2025 operating and capital budgets contained within, to refresh the Corporation's authorities.

The rapid changes in our current environment have outpaced the regulatory framework governing our business. Solutions to ensure long-term viability of the postal service will take more time. As we work with the government, our bargaining agents and Canadians to chart a new roadmap for a modern national postal service, we will continue to deliver each day, with a focus on the future to provide service meeting Canadians' changing needs.

Historical Financial Information

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

OPERATIONS	2024	2023	2022	2021	2020
Revenue from operations	**8,904**	9,786	10,142	10,112	9,318
Total cost of operations	**9,891**	10,317	10,378	10,308	9,888
Profit (loss) from operations	**(987)**	(531)	(236)	(196)	(570)
Percentage of revenue from operations	**(11.1)%**	(5.4)%	(2.3)%	(1.9)%	(6.1)%
Investing and financing expense, net	**322**	2	(56)	(50)	(56)
Loss before tax	**(665)**	(529)	(292)	(246)	(626)
Tax expense (recovery)	**(246)**	108	(64)	(59)	(153)
Net loss	**(419)**	(637)	(228)	(187)	(473)
Other comprehensive income (loss)	**953**	(1,213)	3,582	4,155	(329)
Comprehensive income (loss)	**534**	(1,850)	3,354	3,968	(802)
Net income (loss) attributable to					
Government of Canada	**(435)**	(652)	(244)	(201)	(482)
Non-controlling interests	**16**	15	16	14	9
	(419)	(637)	(228)	(187)	(473)
Comprehensive income (loss) attributable to					
Government of Canada	**513**	(1,863)	3,334	3,944	(812)
Non-controlling interests	**21**	13	20	24	10
	534	(1,850)	3,354	3,968	(802)

STATEMENT OF FINANCIAL POSITION	2024	2023	2022	2021	2020
Assets					
Current	**2,133**	2,960	3,479	3,778	4,003
Segregated securities	**337**	398	373	482	537
Capital assets	**4,301**	4,187	3,975	3,642	3,301
Right-of-use assets	**1,451**	1,285	1,384	1,326	1,221
Pension benefit assets	**4,462**	3,471	4,933	1,450	25
Deferred tax assets	**–**	–	3	572	1,883
Other assets	**222**	216	240	266	239
Total assets	**12,906**	12,517	14,387	11,516	11,209
Liabilities and equity					
Current	**2,319**	2,220	2,074	2,029	2,165
Pension, other post-employment and other long-term benefit liabilities	**3,229**	3,118	2,847	3,969	7,601
Other liabilities	**2,258**	2,605	3,034	2,433	2,321
Non-controlling interests	**91**	78	73	60	41
Equity of Canada	**5,009**	4,496	6,359	3,025	(919)
Total liabilities and equity	**12,906**	12,517	14,387	11,516	11,209

ADDITIONS TO CAPITAL ASSETS	2024	2023	2022	2021	2020
Land and buildings	**28**	88	86	47	74
Other capital assets	**493**	526	570	630	498
	521	614	656	677	572

Historical Financial Information

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

LINE OF BUSINESS DIMENSIONS REVENUE FROM OPERATIONS[1,2]	2024	% change	2023	% change	2022	% change	2021	% change	2020
Parcels									
Domestic Parcels	**2,279**	**(20.2)%**	2,832	(3.2)%	2,924	0.8%	2,912	9.5%	2,681
Outbound Parcels (to other postal administrations)	**261**	**(13.6)%**	300	(2.3)%	308	(6.3)%	329	9.7%	302
Inbound Parcels (from other postal administrations)	**223**	**(29.4)%**	313	(1.2)%	316	(22.4)%	409	(4.5)%	432
Total – Parcels	**2,763**	**(20.3)%**	3,445	(2.9)%	3,548	(2.4)%	3,650	7.7%	3,415
Other	**36**	**(4.8)%**	37	56.3%	25	11.3%	22	14.5%	19
Canada Post segment	**2,799**	**(20.3)%**	3,482	(2.5)%	3,573	(2.3)%	3,672	7.8%	3,434
Purolator segment	**2,754**	**3.0%**	2,653	(6.2)%	2,830	9.0%	2,606	19.1%	2,205
SCI segment	**59**	**(83.5)%**	354	8.2%	327	(5.5)%	348	6.6%	329
Elimination of intersegment	**(53)**		(161)		(199)		(191)		(157)
Group of Companies	**5,559**	**(12.9)%**	6,328	(3.1)%	6,531	1.9%	6,435	11.6%	5,811
Transaction Mail									
Domestic Lettermail	**2,092**	**(4.7)%**	2,178	(5.2)%	2,296	(2.6)%	2,368	2.2%	2,335
Outbound Letter-post (to other postal administrations)	**57**	**(17.3)%**	68	(7.5)%	75	(4.8)%	78	(5.0)%	83
Inbound Letter-post (from other postal administrations)	**44**	**(14.9)%**	52	(2.0)%	53	8.3%	48	(25.5)%	66
Canada Post segment	**2,193**	**(5.3)%**	2,298	(5.2)%	2,424	(2.4)%	2,494	1.2%	2,484
Elimination of intersegment	**–**		(2)		(2)		(2)		(2)
Group of Companies	**2,193**	**(5.3)%**	2,296	(5.2)%	2,422	(2.4)%	2,492	1.2%	2,482
Direct Marketing									
Canada Post Personalized Mail™	**365**	**(11.1)%**	407	(4.3)%	425	5.8%	404	11.6%	365
Canada Post Neighbourhood Mail™	**421**	**8.0%**	387	4.6%	370	4.3%	356	26.8%	283
Total – Canada Post Smartmail Marketing™	**786**	**(1.8)%**	794	(0.2)%	795	5.1%	760	18.2%	648
Publications Mail™	**115**	**(9.1)%**	125	(1.0)%	126	(0.2)%	127	(0.4)%	129
Business Reply Mail™ and Other mail	**14**	**(14.5)%**	17	(7.6)%	18	(4.7)%	19	1.8%	19
Total – Mail	**915**	**(3.0)%**	936	(0.4)%	939	4.1%	906	14.8%	796
Other	**15**	**(4.7)%**	15	4.0%	15	(7.8)%	16	17.5%	13
Canada Post segment / Group of Companies	**930**	**(3.0)%**	951	(0.4)%	954	3.9%	922	14.8%	809
Consumer Products and Services									
Canada Post segment	**220**	**3.7%**	211	(8.9)%	231	(10.7)%	261	22.1%	215
Purolator segment	**2**	**854.9%**	–	(107.4)%	4	112.8%	2	179.4%	1
Group of Companies	**222**	**5.0%**	211	(10.7)%	235	(9.7)%	263	22.6%	216
Revenue from operations									
Canada Post segment	**6,142**	**(12.2)%**	6,942	(3.3)%	7,182	(1.9)%	7,349	6.7%	6,942
Purolator segment	**2,756**	**3.1%**	2,653	(6.4)%	2,834	9.1%	2,608	19.2%	2,206
SCI segment	**59**	**(83.5)%**	354	8.2%	327	(5.5)%	348	6.6%	329
Innovapost and elimination of intercompany	**(53)**		(163)		(201)		(193)		(159)
Group of Companies	**8,904**	**(9.7)%**	9,786	(3.5)%	10,142	0.7%	10,112	9.4%	9,318

1. Results for SCI were consolidated through March 1, 2024, the date of divestiture when control was transferred to the acquirer.
2. Results for Innovapost were consolidated through April 15, 2024, the date of divestiture when control was transferred to the acquirer.

Historical Financial Information

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

LINE OF BUSINESS DIMENSIONS	2024	% change	2023	% change	2022	% change	2021	% change	2020
VOLUME									
Parcels									
Domestic Parcels	**200**	**(18.6)%**	243	5.8%	230	(17.2)%	279	(3.9)%	292
Outbound Parcels (to other postal administrations)	**12**	**(4.3)%**	12	4.4%	11	(13.6)%	13	1.7%	13
Inbound Parcels (from other postal administrations)	**28**	**(32.3)%**	41	(7.5)%	45	(34.7)%	69	(17.3)%	84
Canada Post segment	**240**	**(19.9)%**	296	3.7%	286	(20.4)%	361	(6.6)%	389
Purolator segment	**200**	**27.5%**	156	(8.3)%	170	(2.4)%	174	8.7%	162
Elimination of intersegment	**(2)**		(9)		(11)		(13)		(12)
Group of Companies	**438**	**(2.3)%**	443	(0.3)%	445	(14.5)%	522	(2.4)%	539
Transaction Mail									
Domestic Lettermail	**1,942**	**(8.9)%**	2,114	(4.8)%	2,220	(6.6)%	2,386	(1.1)%	2,432
Outbound Letter-post (to other postal administrations)	**26**	**(16.3)%**	31	(7.4)%	34	(5.2)%	35	(8.1)%	39
Inbound Letter-post (from other postal administrations)	**41**	**(19.9)%**	51	(12.8)%	59	3.6%	57	(16.7)%	69
Canada Post segment	**2,009**	**(9.3)%**	2,196	(5.0)%	2,313	(6.3)%	2,478	(1.6)%	2,540
Elimination of intersegment	**–**		(1)		(2)		(2)		(2)
Group of Companies	**2,009**	**(9.2)%**	2,195	(5.0)%	2,311	(6.3)%	2,476	(1.6)%	2,538
Direct Marketing									
Personalized Mail	**602**	**(12.3)%**	681	(6.2)%	727	3.2%	706	9.8%	648
Neighbourhood Mail	**3,342**	**5.6%**	3,139	2.2%	3,071	2.2%	3,016	22.9%	2,474
Total – Smartmail Marketing	**3,944**	**2.4%**	3,820	0.6%	3,798	2.4%	3,722	20.2%	3,122
Publications Mail	**151**	**(12.1)%**	171	(2.8)%	176	(3.2)%	182	(1.7)%	187
Business Reply Mail and Other mail	**9**	**(22.2)%**	11	(11.1)%	11	(7.5)%	14	(4.4)%	14
Canada Post segment / Group of Companies	**4,104**	**1.8%**	4,002	0.4%	3,985	2.1%	3,918	18.8%	3,323
Total volume									
Canada Post segment	**6,353**	**(3.0)%**	6,494	(1.4)%	6,584	(2.2)%	6,757	8.9%	6,252
Purolator segment	**200**	**27.5%**	156	(8.3)%	170	(2.4)%	174	8.7%	162
Elimination of intersegment	**(2)**		(10)		(13)		(15)		(14)
Group of Companies	**6,551**	**(2.1)%**	6,640	(1.5)%	6,741	(2.1)%	6,916	8.9%	6,400
EMPLOYMENT[1]									
Canada Post segment	**62,315**	**(8.8)%**	68,318	0.8%	67,763	(1.0)%	68,447	0.4%	68,153
Purolator segment	**13,817**	**6.2%**	13,012	(1.6)%	13,222	(2.3)%	13,533	5.5%	12,833
SCI segment[2]	**–**	**(100.0)%**	1,941	3.4%	1,877	3.6%	1,811	(25.4)%	2,429
Innovapost business unit[2]	**–**	**(100.0)%**	811	6.2%	764	(0.3)%	766	(7.0)%	824
Group of Companies	**76,132**	**(9.5)%**	84,082	0.5%	83,626	(1.1)%	84,557	0.4%	84,239
MAIL NETWORK									
Post offices	**5,716**	**(1.2)%**	5,789	(1.4)%	5,873	(1.1)%	5,941	(1.4)%	6,026
Points of delivery (in thousands)	**17,609**	**1.3%**	17,397	1.2%	17,194	1.3%	16,976	1.3%	16,750
Pickup points (in thousands)[3]	**978**	**0.4%**	974	0.4%	971	0.8%	964	(1.2)%	975

1. Includes paid full-time and part-time Canadian employees, including temporary, casual and term employees.
2. Due to the divestitures of SCI and Innovapost in the year, the number of employees for these entities was nil as at December 31, 2024.
3. Includes rural mailboxes, which are collection points for customers with this mode of delivery.

Independent Practitioner's Assurance Report on Annual Cost Study Contribution Analysis

To the Board of Directors of Canada Post Corporation

Scope

We have been engaged by Canada Post Corporation (the "Corporation") to perform a 'reasonable assurance engagement,' as defined by Canadian Standards on Assurance Engagements, here after referred to as the engagement, to report on Canada Post Corporation's Annual Cost Study Contribution Analysis (the "Subject Matter" or "Annual Cost Study") and management's assertion in Note 1 (the "Assertion") that the Corporation did not cross-subsidize its competitive grouping of services (Competitive services) with revenue from the exclusive privilege grouping of services (Exclusive privilege services) for the year ended December 31, 2024.

Criteria applied by Canada Post Corporation

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

Canada Post Corporation's responsibilities

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

EY's responsibilities

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

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

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

Our Independence and Quality Management

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

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

Description of procedures performed

Our procedures included:

- Conducted interviews with relevant personnel to understand the business and reporting process during the reporting period, including the process for collecting, collating and reporting the Subject Matter
- Checked that the calculation criteria have been correctly applied in accordance with the methodologies outlined in the Criteria
- Inspected relevant documentation of the financial system and processes for compiling, analyzing, and aggregating data in the reporting period and tested such documentation on a sample basis
- Read and evaluated selected material qualitative statements in applicable sections of the Annual Cost Study for plausibility and consistency

We also performed such other procedures as we considered necessary in the circumstances.

Other Matters

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

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

Opinion

A) the Subject Matter for the period from January 1, 2024, to December 31, 2024, is presented, in all material respects, in accordance with the Criteria.

B) based on the Annual Cost Methodology, management's assertion included in the notes to the Annual Cost Study that the Entity did not cross-subsidize its Competitive services with revenues from Exclusive privilege services, for the year ended December 31, 2024, is fairly stated, in all material respects.

Specific Purpose of the Annual Cost Study

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

Ernst & Young LLP

Chartered Professional Accountants
Licensed Public Accountants

March 27, 2025
Ottawa, Canada

Annual Cost Study Contribution Analysis

Canada Post Corporation

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

Annual Cost Study Contribution Analysis

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

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

Year ended December 31, 2024	Exclusive privilege services[1]	Competitive services[2]	Concessionary services[3]	Other services[4]	**Total**
Revenue from operations	2,344	3,521	24	253	6,142
Long-run incremental costs	(1,548)	(2,775)	(26)	(146)	(4,495)
Long-run incremental contribution	**796**	**746**	**(2)**	**107**	**1,647**
Percentage of revenue	34%	21%	(8)%	42%	27%
Unallocated fixed costs					(2,934)
Contribution before the undernoted items					**(1,287)**
Investment and other income					527
Finance costs and other expense					(81)
Loss before tax – Canada Post segment					**(841)**

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

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

Notes to Annual Cost Study Contribution Analysis

Year ended December 31, 2024

1. Basis of Preparation

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

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

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

Under the Annual Cost Methodology, a positive long-run incremental contribution from the Competitive grouping of services (Competitive services) establishes that this grouping of services has not been cross-subsidized using revenues from the Exclusive privilege grouping of services (Exclusive privilege services). As the Annual Cost Study Contribution Analysis indicates, Competitive services generated a positive long-run incremental contribution, and therefore, Canada Post Corporation did not cross-subsidize its Competitive services using revenues protected by Exclusive privilege services for the year ended December 31, 2024.

2. Annual Cost Methodology

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

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

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

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

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

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

Management's Responsibility for Financial Reporting

Management is responsible for the consolidated financial statements and all other information presented in this Annual Report. These consolidated financial statements have been prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IASB) and include amounts based on management's best estimates and judgments. Financial information presented elsewhere in this Annual Report is consistent with the consolidated financial statements.

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

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

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

Canada Post Corporation is a Crown corporation included in Part I of Schedule III of the *Financial Administration Act*. The Auditor General of Canada and Ernst & Young LLP were appointed as joint auditors of the Corporation for the year ended December 31, 2024, in accordance with the *Financial Administration Act*. The Auditor General of Canada and Ernst & Young LLP audit the consolidated financial statements and report to the Audit Committee of the Board of Directors, as well as to the Minister of Government Transformation, Public Services and Procurement.

President and Chief Executive Officer

Chief Financial Officer

March 27, 2025

Independent Auditors' Report

To the Minister of Government Transformation, Public Services and Procurement

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Canada Post Corporation and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at December 31, 2024, and the consolidated statement of comprehensive income (loss), consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2024, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the IASB.

Basis for Opinion

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

Emphasis of Matter

We draw attention to Note 4 (a.1) of the consolidated financial statements which discloses critical judgments made by management to conclude that there are no material uncertainties casting significant doubt on the Canada Post Corporation's ability to continue as a going concern and to conduct its operations on a self-sustaining financial basis. Our opinion is not modified in respect of this matter.

Other Information

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

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

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

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

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

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

Report on Compliance with Specified Authorities

Opinion

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

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

Responsibilities of Management for Compliance with Specified Authorities

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

Auditors' Responsibilities for the Audit of Compliance with Specified Authorities

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

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

Ernst & Young LLP

Chartered Professional Accountants
Licensed Public Accountant

Ottawa, Canada
March 27, 2025

Consolidated Statement of Financial Position

(in millions of Canadian dollars)

ASSETS	As at December 31, 2024	As at December 31, 2023
Current assets		
Cash and cash equivalents (Note 6)	**802**	1,109
Marketable securities (Note 6)	**290**	335
Trade, other receivables and contract assets (Note 18)	**900**	963
Income tax receivable	**2**	6
Other assets	**139**	123
Assets of disposal groups held for sale (Note 7)	**–**	424
Total current assets	**2,133**	2,960
Non-current assets		
Property, plant and equipment (Note 8)	**4,053**	3,935
Intangible assets (Note 8)	**248**	252
Right-of-use assets (Note 8)	**1,451**	1,285
Segregated securities (Note 6)	**337**	398
Pension benefit assets (Note 10)	**4,462**	3,471
Goodwill (Note 12)	**161**	161
Other assets	**61**	55
Total non-current assets	**10,773**	9,557
Total assets	**12,906**	12,517

LIABILITIES AND EQUITY	As at December 31, 2024	As at December 31, 2023
Current liabilities		
Trade and other payables (Note 13)	**830**	880
Salaries and benefits payable	**537**	656
Loans and borrowings (Note 15)	**500**	–
Provisions	**68**	63
Income tax payable	**30**	–
Deferred revenue	**200**	172
Lease liabilities (Note 16)	**100**	94
Other long-term benefit liabilities (Note 10)	**54**	56
Liabilities directly associated with disposal groups held for sale (Note 7)	**–**	299
Total current liabilities	**2,319**	2,220
Non-current liabilities		
Lease liabilities (Note 16)	**1,567**	1,390
Loans and borrowings (Note 15)	**498**	998
Pension, other post-employment and other long-term benefit liabilities (Note 10)	**3,229**	3,118
Deferred tax liabilities (Note 11)	**147**	169
Other liabilities	**46**	48
Total non-current liabilities	**5,487**	5,723
Total liabilities	**7,806**	7,943
Equity		
Contributed capital	**1,155**	1,155
Accumulated other comprehensive income (loss) (Note 23)	**5**	4
Retained earnings	**3,849**	3,337
Equity of Canada	**5,009**	4,496
Non-controlling interests	**91**	78
Total equity	**5,100**	4,574
Total liabilities and equity	**12,906**	12,517
Contingent liabilities (Note 14)		
Commitments (Note 19)		

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

Approved on behalf of the Board of Directors:

Chair of the Board of Directors

Chair of the Audit Committee

Consolidated Statement of Comprehensive Income (Loss)

(in millions of Canadian dollars)

	For the year ended December 31, 2024	For the year ended December 31, 2023
Revenue from operations (Note 20)	**8,904**	9,786
Cost of operations		
Labour	**4,764**	5,132
Employee benefits (Note 9)	**1,356**	1,182
	6,120	6,314
Other operating costs (Note 21)	**3,261**	3,489
Depreciation and amortization (Note 8)	**510**	514
Total cost of operations	**9,891**	10,317
Loss from operations	**(987)**	(531)
Investing and financing income (expense)		
Gain on sale of disposal groups held for sale (notes 7, 22)	**346**	–
Investment and other income (Note 22)	**79**	95
Finance costs and other expense (notes 15, 16, 22)	**(103)**	(93)
Investing and financing income (expense), net	**322**	2
Loss before tax	**(665)**	(529)
Tax (recovery) expense (Note 11)	**(246)**	108
Net loss	**(419)**	(637)
Other comprehensive income (loss) (Note 23)		
Items that may subsequently be reclassified to net profit (loss)		
Change in unrealized fair value of financial assets	**(1)**	14
Foreign currency translation adjustment	**2**	–
Item never reclassified to net profit (loss)		
Remeasurements of defined benefit plans	**952**	(1,227)
Other comprehensive income (loss)	**953**	(1,213)
Comprehensive income (loss)	**534**	(1,850)
Net profit (loss) attributable to		
Government of Canada	**(435)**	(652)
Non-controlling interests	**16**	15
	(419)	(637)
Comprehensive income (loss) attributable to		
Government of Canada	**513**	(1,863)
Non-controlling interests	**21**	13
	534	(1,850)

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

Consolidated Statement of Changes in Equity

(in millions of Canadian dollars)

For the year ended December 31, 2024	**Contributed capital**	**Accumulated other comprehensive income**	**Retained earnings**	**Equity of Canada**	**Non-controlling interests**	**Total equity**
Balance at December 31, 2023	**1,155**	**4**	**3,337**	**4,496**	**78**	**4,574**
Net profit (loss)	**–**	**–**	**(435)**	**(435)**	**16**	**(419)**
Other comprehensive income (Note 23)	**–**	**1**	**947**	**948**	**5**	**953**
Comprehensive income	**–**	**1**	**512**	**513**	**21**	**534**
Transactions with shareholders – Dividend	**–**	**–**	**–**	**–**	**(8)**	**(8)**
Balance at December 31, 2024	**1,155**	**5**	**3,849**	**5,009**	**91**	**5,100**

For the year ended December 31, 2023	Contributed capital	Accumulated other comprehensive income (loss)	Retained earnings	Equity of Canada	Non-controlling interests	Total equity
Balance at December 31, 2022	1,155	(10)	5,214	6,359	73	6,432
Net profit (loss)	–	–	(652)	(652)	15	(637)
Other comprehensive income (loss) (Note 23)	–	14	(1,225)	(1,211)	(2)	(1,213)
Comprehensive income (loss)	–	14	(1,877)	(1,863)	13	(1,850)
Transactions with shareholders – Dividend	–	–	–	–	(8)	(8)
Balance at December 31, 2023	1,155	4	3,337	4,496	78	4,574

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

Consolidated Statement of Cash Flows

(in millions of Canadian dollars)

	For the year ended December 31, 2024	For the year ended December 31, 2023
Operating activities		
Net loss	**(419)**	(637)
Adjustments to reconcile to cash provided by (used in) operating activities:		
Depreciation and amortization (Note 8)	**510**	514
Pension, other post-employment and other long-term benefit expense (Note 10)	**604**	406
Pension, other post-employment and other long-term benefit contributions and payments (Note 10)	**(217)**	(309)
Gain on disposal groups held for sale (notes 7, 22)	**(346)**	–
Impairment loss and loss on sale of capital assets	**9**	–
Tax (recovery) expense and other items affecting net income tax receivable	**(244)**	108
Net interest (income) expense (Note 22)	**16**	(2)
Change in non-cash operating working capital:		
Decrease in trade and other receivables	**63**	97
Increase (decrease) in trade and other payables	**17**	(47)
(Decrease) increase in salaries and benefits payable	**(119)**	5
Increase in provisions	**6**	6
Net (increase) decrease in other non-cash operating working capital	**(27)**	4
Other income not affecting cash, net	**(16)**	(21)
Cash (used in) provided by operating activities before interest and tax	**(163)**	124
Interest received	**89**	110
Interest paid	**(91)**	(90)
Tax paid	**(59)**	(43)
Cash (used in) provided by operating activities	**(224)**	101
Investing activities		
Acquisition of securities	**(498)**	(593)
Proceeds from sale of securities	**588**	1,343
Cash payments for capital assets	**(588)**	(682)
Proceeds from sale of disposal groups held for sale	**424**	–
Proceeds from sale of capital assets and assets held for sale	**1**	2
Business acquisitions, net of cash acquired	**–**	(56)
Other investing activities, net	**21**	(10)
Cash (used in) provided by investing activities	**(52)**	4
Financing activities		
Payments of lease liabilities	**(105)**	(130)
Dividend paid to non-controlling interests	**(8)**	(8)
Other financing activities, net	**(2)**	(4)
Cash used in financing activities	**(115)**	(142)
Net decrease in cash and cash equivalents	**(391)**	(37)
Cash and cash equivalents, beginning of year	**1,185**	1,220
Effect of exchange rate changes on cash and cash equivalents	**8**	2
Cash and cash equivalents, end of year	**802**	1,185[1]

1. Cash and cash equivalents of $1,109 million presented in the consolidated statement of financial position as at December 31, 2023, exclude $76 million of cash transferred to the assets of disposal groups held for sale (Note 7).

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

Notes to Consolidated Financial Statements

December 31, 2024

1. Incorporation, Business Activities and Directives

In these notes to the consolidated financial statements, the "Corporation," "Canada Post," "Canada Post segment" means Canada Post Corporation, excluding its subsidiaries. The "Canada Post Group of Companies," the "Group of Companies" or the "Group" mean, collectively, Canada Post Corporation and its subsidiaries.

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

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

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

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

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

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

2. Regulation of Customer Postage Rates

The Corporation establishes customer postage rates for Domestic Lettermail™ and U.S. and International Letter-post items as well as fees for certain services such as Domestic Registered Mail through regulations under the *Canada Post Corporation Act* (Act). These regulations are subject to approval by the Government of Canada, the sole shareholder and, therefore, a related party of the Corporation. The Act states that regulated postage rates must be fair and reasonable, and consistent so far as possible with providing revenue, together with any revenue from other sources, sufficient to defray costs incurred by the Corporation in the conduct of its operations under the Act. The Act permits the Corporation to offer rates that differ from regulated rates under certain circumstances, such as when the customer agrees to prepare a mailing in bulk or in a manner that facilitates its processing. Revenue from products and services charged to customers at regulated rates comprises 6% (2023 – 6%) of the Canada Post segment revenue.

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

On February 10, 2024, Canada Post published proposed rate increases to Lettermail items, international letter-post items, and special services and fees in the *Canada Gazette.* Following a 30-day representation period the Board of Directors approved the regulations March 14, 2024, and they were subsequently approved by the Governor in Council on April 19, 2024. The new rates, which represented a weighted average increase of 7.6%, took effect May 6, 2024.

On September 7, 2024, Canada Post published proposed amendments for rate increases in the *Letter Mail Regulations,* the *International Letter-post Items Regulations* and the *Special Services and Fees* in the *Canada Gazette.* Following a 30-day representation period the Board of Directors approved the regulations October 23, 2024, and they were subsequently approved by the Governor in Council November 29, 2024. The new rates, which represented a weighted average increase of 25.2%, took effect January 13, 2025.

Under the provisions of the *Canada Post Corporation Act*, the Corporation is required to provide services free of charge for certain Government of Canada mailings and for the mailing of materials for persons who are blind. The Government of Canada provides compensation to the Corporation in respect of these services (Note 24 [a]).

3. Basis of Presentation and Material Accounting Policy Information

Statement of compliance – Consolidated financial statements have been prepared in compliance with IFRS Accounting Standards as issued by the IASB (IFRS Accounting Standards) issued and effective as at the reporting date. These consolidated financial statements were approved and authorized for issue by the Board of Directors March 27, 2025.

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

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

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

(a) **Basis of consolidation** – These consolidated financial statements include the accounts of the Corporation and its subsidiaries. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary. If the Group loses control over a subsidiary, it derecognizes the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resulting gain or loss is recognized in profit or loss.

Details of the Corporation's material subsidiaries are set out below:

				Proportion of ownership interest held directly or indirectly	
Name of subsidiary	**Principal activities**	**Country of incorporation**	**Place of operation**	**As at December 31, 2024**	**As at December 31, 2023**
Purolator Holdings Ltd.	Transportation and courier services	Canada	Canada and United States	**91%**	91%
SCI Group Inc.	Logistics and transportation services	Canada	Canada	–	99%
Innovapost Inc.	IS/IT services	Canada	Canada	–	98%

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

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

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

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

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

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

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

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

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

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

(b.2) Financial assets at amortized cost

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

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

(b.3) Financial liabilities at amortized cost

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

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

(b.4) Fair value measurement

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

- Level 1: Fair value is based on unadjusted quoted prices in active markets for identical financial instruments.
- Level 2: Fair value is based on valuation techniques using inputs other than quoted prices included in level 1 that are observable, either directly or

indirectly, including inputs and quoted prices in markets that are not considered to be active. Financial assets and liabilities are measured by discounting future cash flows, making maximum use of directly or indirectly observable market data, such as interest rates with similar terms and characteristics and yield curves and forward market prices from interest rates and credit spreads of identical or similar instruments.
- Level 3: Fair value is based on valuation techniques using unobservable market inputs requiring management's best estimate.

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

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

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

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

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

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

Direct Marketing includes Canada Post Personalized Mail™, Canada Post Neighbourhood Mail™ and Publications Mail™, such as newspapers and periodicals.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(i) Disposal groups held for sale

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

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

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

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

(j) Segmented information

Operating segments – The Group manages its consolidated operations and, accordingly, determines its operating segments based on legal entities. Three reportable operating segments have been identified: Canada Post, Purolator and SCI (until the divestiture, effective March 1, 2024). The Consolidation entries and eliminations category includes the results of the support functions provided by the information technology business unit, Innovapost, under a shared services agreement between Canada Post, Purolator and Innovapost (until the divestiture, effective April 15, 2024), as well as consolidation adjustments and intersegment balance eliminations.

The Canada Post segment provides products and services in four lines of business, Transaction Mail, Parcels, Direct Marketing, and Consumer products and services. The Purolator segment derives its revenue from specialized courier services.

4. Critical Accounting Estimates and Judgments

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

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

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

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

Since 2018, the Canada Post segment has experienced cumulative losses from operations of over $4.5 billion. These results have impacted the Corporation's net liquidity position. Cash and cash equivalents are depleting. In July 2025, the Series 2 bonds of $500 million will mature and create significant cash flow pressure. At December 31, 2024, accumulated funds and immediately accessible lines of credit were insufficient to meet contractual repayment terms; government funding is required for the Corporation to remain solvent through 2025. Recurring financial losses threaten the Corporation's ability to fulfill the objects set by the

Government of Canada, which are to have regard to the need to conduct operations on a self-sustaining financial basis, while providing a standard of service that will meet the needs of the people of Canada.

The 2025-29 Corporate Plan (Plan) was submitted to the Minister responsible for the Corporation on October 28, 2024. The Treasury Board approved the Plan's first year (2025). The Plan presents the significant challenges the Corporation is facing as well as a proposal for short-term liquidity measures to provide the Corporation with the means to maintain cash solvency through the 2025 fiscal year, as follows:

- **Increase of 25% to regulated Lettermail™ rates.** In January 2025, Canada Post increased regulated rates for stamps, Lettermail items, International Letter-post items, and special services and fees, which will help mitigate the impact to revenue of volume declines expected in 2025.
- **Government cash injection up to $1.034 billion.** In accordance with section 31 of the *Canada Post Corporation Act*, Canada Post applied to receive amounts required to enable it to meet its operating and income charges, which are not sufficiently covered by its expected available revenues during the Government of Canada fiscal year ending March 31, 2026. Governor-in-Council approval was received January 31, 2025. On March 23, 2025, a general election was called. While the Corporation has not yet received parliamentary approval for these required amounts, it can seek approval funding under Governor General Special Warrants. Once final approval is received, all amounts placed at the disposal of the Corporation pursuant to section 31 are to be reimbursed to the Minister of Finance from the annual revenues of the Corporation in so far as such revenues are sufficient.
- **Additional short-term borrowing.** Pursuant to subsection 127(3) of the *Financial Administration Act*, the Minister of Finance approved the aggregate principal outstanding amount for all short-term borrowings with a maturity of one year or less, which are not to exceed $600 million for the period ending December 31, 2025. Additional borrowing facilities may be obtained from the Crown or otherwise, if made available.

The Corporation believes that these short-term measures, once approved, will provide the Corporation sufficient liquidity to support its operations until the Government of Canada fiscal year ending March 31, 2026. The Corporation's ability to achieve financial self-sustainability over the long-term, however, will require changes to the operating structure that involve extensive consultation, a review period and additional time to implement any identified measures.

Management has concluded that there are no material uncertainties casting significant doubt on the Corporation's ability to continue as a going concern for a period of at least, but not limited to, 12 months from the reporting date. These consolidated financial statements do not include any adjustments to the carrying value of the assets and liabilities, the reported revenues and expenses or the consolidated statement of financial position classifications that might be necessary if the Corporation were unable to obtain the necessary legislative support that would help provide financial stability. Refer to notes 15, 17 and 18 (c) for additional information about the Corporation's borrowing facilities, capital management and liquidity risk.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

5. Application of New and Revised International Financial Reporting Standards

(a) New standards, amendments and interpretations

The following amendments issued by the IASB that required mandatory adoption by the Group on or after January 1, 2024, resulted in no changes in the consolidated financial statements.

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

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

The IASB issued the following amendments and standard. Early application is permitted.

Effective for annual periods beginning on or after January 1, 2026. The Group is assessing the impact from the adoption of these amendments.

Standard	Subject matter and significance
IFRS 7 "Financial Instruments: Disclosures" and IFRS 9 "Financial Instruments – Amendments to the Classification and Measurement of Financial Instruments"	Amendments provide clarifications on the derecognition of a financial liability settled through electronic transfer and on the classification of financial assets with environmental, social and governance linked features, as well as assets with non-recourse features and contractually linked instruments. Moreover, additional disclosures are introduced for financial instruments with contingent features and equity instruments classified at fair value through other comprehensive income.
As part of IASB's Annual Improvements to IFRS Accounting Standards – Volume 11, five amendments were issued in the following standards to address:	

Standard	Subject matter and significance
IFRS 7 "Financial Instruments: Disclosures" – Gain or Loss on Derecognition	Potential confusion in IFRS 7 arising from an obsolete reference to a paragraph that was deleted from the standard when IFRS 13 "Fair Value Measurement" was issued.
IFRS 9 "Financial Instruments" – Lessee Derecognition of Lease Liabilities	Potential lack of clarity in the application of the requirements in IFRS 9 to account for an extinguishment of a lessee's lease liability.
IFRS 9 "Financial Instruments" – Transaction Price	Potential confusion arising from a reference in IFRS 9 to the definition of "transaction price" in IFRS 15 "Revenue from Contracts with Customers" while "transaction price" is also used in paragraphs of IFRS 9 with a meaning that is not consistent with the definition of the same term in IFRS 15.
IFRS 10 "Consolidated Financial Statements" – Determination of a "De Facto Agent"	Potential confusion arising from an inconsistency between paragraphs of IFRS 10 related to an investor determining whether another party is acting on its behalf.
IAS 7 "Statement of Cash Flows" – Cost Method	Potential confusion in applying IAS 7 arising from the use of the term "cost method" that is no longer defined in IFRS Accounting Standards.

Effective for annual periods beginning on or after January 1, 2027. The Group is assessing the impact from the adoption of these standards.

Standard	Subject matter and significance
IFRS 18 "Presentation and Disclosure in Financial Statements"	The IASB issued IFRS 18, which replaces IAS 1 "Presentation of Financial Statements". Along with several sections being brought forward from IAS 1, IFRS 18 introduces new requirements on presentation within the statement of profit or loss, including specified totals and subtotals. It also requires disclosure of management-defined performance measures and includes new requirements for aggregation and disaggregation of financial information based on the identified roles of the primary financial statements and the notes. In addition, there are consequential amendments to other accounting standards.

6. Cash and Cash Equivalents, Marketable Securities and Segregated Securities

(a) Cash and cash equivalents, marketable securities and segregated securities consisted of the following (in millions):

	As at December 31, 2024		As at December 31, 2023	
	$	%	$	%
Cash and cash equivalents				
Cash	740	92%	986	89%
Money market instruments issued by				
Government of Canada	30	4%	50	4%
Provincial governments	32	4%	73	7%
Total cash and cash equivalents	**802**	**100%**	1,109	100%
Marketable securities				
Money market instruments issued by				
Government of Canada	110	38%	154	46%
Provincial governments	45	16%	35	10%
Financial institutions	105	36%	29	9%
Corporations	10	3%	77	23%
Bonds issued by corporations	20	7%	40	12%
Total marketable securities	**290**	**100%**	335	100%
Segregated securities				
Cash	5	1%	23	6%
Bonds issued by				
Government of Canada	77	23%	85	21%
Provincial governments	170	51%	173	44%
Corporations	85	25%	117	29%
Total segregated securities	**337**	**100%**	398	100%

All money market instruments and bonds held as at December 31, 2024, were issued by Canadian entities at fixed interest rates. The weighted-average effective interest rate as at December 31, 2024, was 4.2% for money market instruments (2023 – 5.4%) and 4.0% for bonds (2023 – 4.1%).

Securities are segregated due to external restrictions imposed on other retirement dental and life insurance benefit plans repatriated through the federal public sector pension reform. These defined benefit plans were partially funded by the transitional support from the Government of Canada; therefore, the Group is obligated to use these funds exclusively for related benefit payments. Segregated securities, if held to maturity, have terms expiring over an 18-year period.

(b) Fair values of financial instruments

The estimated fair values of cash equivalents, marketable securities and segregated securities used to measure amounts in the consolidated financial statements are classified as level 2 in the fair value hierarchy and are applied on a recurring basis. There were no transfers between the levels of the fair value hierarchy during the years ended December 31, 2024, and 2023.

7. Assets and Liabilities of Disposal Groups Held for Sale

The following is a summary of the major items of assets and liabilities of the disposal groups held for sale (in millions):

ASSETS[1]	**As at December 31, 2024**	As at December 31, 2023
Cash and cash equivalents	–	76
Trade, other receivables and contract assets	–	74
Income tax receivable	–	1
Property, plant and equipment (Note 8)	–	30
Intangible assets (Note 8)	–	4
Right-of-use assets (Note 8)	–	202
Pension benefit assets (Note 10)	–	9
Deferred tax assets (Note 11)	–	6
Goodwill (Note 12)	–	9
Other assets	–	13
Assets of disposal groups held for sale	**–**	**424**
LIABILITIES[1]		
Trade and other payables	–	42
Salaries and benefits payable	–	22
Provisions	–	1
Deferred revenue	–	1
Lease liabilities (Note 16)	–	222
Pension, other post-employment and other long-term benefit liabilities (Note 10)	–	9
Deferred tax liabilities (Note 11)	–	2
Liabilities directly associated with disposal groups held for sale	**–**	**299**
Net assets (liabilities) of disposal groups held for sale	**–**	**125**

1. Intercompany balances have been eliminated on consolidation and are excluded from assets and liabilities of the disposal groups held for sale.

SCI Group Inc. – In early 2024, following approval by their Board of Directors, Canada Post and Purolator announced their plan to divest 100% of the shares of SCI Group Inc., a subsidiary, to a Canadian leader in third-party logistics. On March 1, 2024, the divestiture was completed, and control was transferred to the acquirer. Results for SCI Group Inc. are included in the consolidated financial statements until this date. As a result of the disposition, the Group derecognized $335 million of total assets and $266 million of total liabilities and non-controlling interests from the consolidated statement of financial position. The sale proceeds, including final adjustments, were $363 million. A gain on sale (before tax) of $294 million was recognized within investing and financing income (expense) in 2024 (Note 22). SCI continues to provide warehousing and other logistics services to Canada Post after the closing date under an agreement that includes commitments as at December 31, 2024, by Canada Post of $34 million, in effect until 2028.

Innovapost Inc. – In early 2024, following approval by their Board of Directors, Canada Post and Purolator announced their plan to divest 100% of the shares of Innovapost Inc., the Group's information technology (IT) shared services provider and a subsidiary, to a world-class IT strategic partner. On April 15, 2024, the divestiture was completed, and control was transferred to the acquirer. Results for Innovapost Inc. are included in the consolidated financial statements until this date. Technical employees from Innovapost Inc. continued employment with the strategic partner, who now provides the Group with IT services. Strategic IT elements and talent from Innovapost have accepted employment with Canada Post or Purolator. As a result of the disposition, the Group derecognized $53 million of total assets and $44 million of total liabilities and non-controlling interests from the consolidated statement of financial position. The sale proceeds, including final adjustments, were $61 million. A gain on sale (before tax) of $52 million was recognized within investing and financing income (expense) in 2024 (Note 22). The acquirer continues to provide IT services to Canada Post and Purolator after the closing date under an agreement that includes commitments as at December 31, 2024, by Canada Post of $121 million, in effect until 2030.

Disposal groups held for sale – Upon the divestiture agreement execution of Innovapost Inc. and SCI Group Inc. in Q4 2023, the Group determined that it was unlikely that significant changes to the plans to sell the disposal groups would be made or that the plans would be withdrawn. As of the respective agreement execution dates, the Group classified Innovapost Inc. and SCI Group Inc. as disposal groups held for sale until the closing dates of their divestitures. Financial results of SCI Group Inc., up to March 1, 2024, and Innovapost Inc., up to April 15, 2024, are included in Note 25.

8. Capital Assets

(a) Property, plant and equipment (in millions)

	Land	Buildings	Leasehold improvements	Plant equipment	Vehicles	Sales counters, office furniture and equipment	Other equipment	Assets under development	Total
Cost									
December 31, 2022	482	2,520	397	1,413	820	340	1,292	409	7,673
Additions	1	87	15	66	210	17	90	13	499
Acquisition through business combinations	–	–	–	–	4	–	–	–	4
Reclassified as held for sale	–	(1)	–	–	–	–	–	–	(1)
Retirements	–	(6)	(18)	(148)	(12)	(99)	(5)	–	(288)
Transfers	–	96	29	135	2	2	–	(264)	–
Reclassified to assets of disposal groups held for sale (Note 7)	–	–	(27)	(24)	(3)	(61)	–	–	(115)
December 31, 2023	483	2,696	396	1,442	1,021	199	1,377	158	7,772
Additions	1	27	16	23	179	27	65	131	469
Retirements	–	(8)	(10)	(26)	(20)	(9)	(4)	–	(77)
Transfers	–	5	23	27	2	3	–	(60)	–
Reclassification[1]	–	–	–	1	28	–	–	(9)	20
December 31, 2024	**484**	**2,720**	**425**	**1,467**	**1,210**	**220**	**1,438**	**220**	**8,184**
Accumulated depreciation									
December 31, 2022	–	1,355	292	897	480	269	601	–	3,894
Depreciation	–	64	18	86	64	19	62	–	313
Reclassified as held for sale	–	(1)	–	–	–	–	–	–	(1)
Retirements	–	(5)	(18)	(145)	(12)	(99)	(5)	–	(284)
Reclassified to assets of disposal groups held for sale (Note 7)	–	–	(23)	(18)	(2)	(42)	–	–	(85)
December 31, 2023	–	1,413	269	820	530	147	658	–	3,837
Depreciation	–	64	20	88	84	15	64	–	335
Retirements	–	(7)	(7)	(21)	(19)	(10)	(4)	–	(68)
Reclassification[1]	–	–	–	1	26	–	–	–	27
December 31, 2024	**–**	**1,470**	**282**	**888**	**621**	**152**	**718**	**–**	**4,131**
Carrying amounts									
December 31, 2023	483	1,283	127	622	491	52	719	158	3,935
December 31, 2024	**484**	**1,250**	**143**	**579**	**589**	**68**	**720**	**220**	**4,053**

1. Includes reclassification of assets with a carrying amount of $2 million ($29 million in costs and $27 million in accumulated amortization) from right-of-use assets and a reclassification to intangible assets ($9 million in costs) in the Purolator segment.

(b) Intangible assets (in millions)

	Software	Software under development	Customer contracts and brand	Total
Cost				
December 31, 2022	979	92	22	1,093
Additions	6	89	–	95
Acquisition through business combinations	–	–	16	16
Retirements	(24)	–	–	(24)
Transfers	50	(50)	–	–
Reclassified to assets of disposal groups held for sale (Note 7)	(37)	–	(22)	(59)
December 31, 2023	974	131	16	1,121
Additions	20	32	–	52
Retirements	(226)	–	–	(226)
Transfers	114	(109)	(5)	–
Reclassification[1]	–	9	–	9
December 31, 2024	**882**	**63**	**11**	**956**
Accumulated amortization				
December 31, 2022	875	–	22	897
Amortization	51	–	–	51
Retirement	(24)	–	–	(24)
Reclassified to assets of disposal groups held for sale (Note 7)	(33)	–	(22)	(55)
December 31, 2023	869	–	–	869
Amortization	62	–	2	64
Retirement	(225)	–	–	(225)
December 31, 2024	**706**	**–**	**2**	**708**
Carrying amounts				
December 31, 2023	105	131	16	252
December 31, 2024	**176**	**63**	**9**	**248**

1. Includes reclassification from property, plant and equipment of $9 million in costs in the Purolator segment.

(c) Right-of-use assets (in millions)

	Land	Buildings – gross	Buildings – net	Vehicles	Plant equipment	Total
Carrying amounts						
December 31, 2022	113	316	945	8	2	1,384
Additions	13	26	214	8	1	262
Depreciation	(3)	(30)	(111)	(5)	(1)	(150)
Terminations	(5)	(2)	(2)	–	–	(9)
Reclassified to assets of disposal groups held for sale (Note 7)	–	(16)	(185)	(1)	–	(202)
December 31, 2023	118	294	861	10	2	1,285
Additions	55	69	174	–	5	303
Depreciation	(4)	(26)	(79)	(1)	(1)	(111)
Terminations	–	(10)	(10)	–	–	(20)
Impairment	–	–	(4)	–	–	(4)
Reclassification[1]	–	–	6	(8)	–	(2)
December 31, 2024	**169**	**327**	**948**	**1**	**6**	**1,451**

1. Includes reclassification of assets with a carrying amount of $2 million from right-of-use assets to property, plant and equipment in the Purolator segment.

9. Employee Benefits

The employee benefits expense recognized in net loss consisted of the following items (in millions):

	For the year ended December 31, 2024	For the year ended December 31, 2023
Active and other employee benefits	765	791
Pension, other post-employment and other long-term benefit expense (Note 10 [e])	591	391
Employee benefits	**1,356**	1,182

10. Pension, Other Post-employment and Other Long-term Benefit Plans

(a) Characteristics of benefit plans

The Group has a number of funded and unfunded benefit plans that provide defined benefit pension plans, other post-employment and other long-term benefits for the majority of its employees, and also provides pension benefits to eligible employees through defined contribution plans. Certain new employees must join the defined contribution plans and are not eligible to join the defined benefit pension plans. The pension benefit plans are funded through contributions made to external trusts;

however, the other post-employment and other long-term benefit plans are unfunded and the benefits are paid directly by the employer.

Benefits provided under the most significant defined benefit pension plans are calculated based on length of pensionable service, pensionable salary and retirement age, or for certain employees, are based on negotiated benefit rates. These plans provide for a retirement pension, a survivor's pension or a refund after termination of employment or death. Pension benefits are covered by the registered pension plans and the retirement compensation arrangements, for benefits in excess of statutory limits as defined under the *Income Tax Act*. For the salaried plans, pension benefits in pay are indexed annually.

Both the employers' and, where applicable, the employees' contributions to the external trusts are made in accordance with the provisions of the plans. The contributions to the defined benefit plans are determined by actuarial valuations in compliance with the requirements of regulatory authorities, to ensure that the external trusts have sufficient assets to pay pension benefits when employees retire. Each entity in the Group has a pension governance structure in place, which is overseen by the Board of Directors. The governance structure includes committees that provide expertise and support management in areas such as investments, administration and compensation.

The most significant post-employment defined benefit plans, other than pension, include unfunded healthcare, as well as dental, life and death insurance plans. The benefit costs covered by the employer and the costs assumed by retirees, if any, are determined in accordance with the rules of each plan and the provisions of labour contracts.

Other long-term benefit plans primarily include the top-up credits available to eligible employees while on short-term disability or injury-on-duty leave, workers' compensation benefits and health, dental and life insurance coverage for employees receiving long-term disability benefits. Under short-term disability or injury-on-duty leave, eligible employees can use their unused balances from the former sick leave plan as top-up credits to supplement eligible employees' salary while on leave. The other long-term benefit costs covered by the employer and the costs assumed by employees, if any, are determined in accordance with the rules of each plan, the provisions of labour contracts and respective provincial workers' compensation legislation.

The Corporation is subject to the *Government Employees Compensation Act* and, therefore, is not mandatorily covered under any provincial workers' compensation act. The Corporation is a self-insured employer, responsible for workers' compensation benefits incurred since incorporation. The Corporation's unfunded obligation for workers' compensation benefits is based on known awarded disability and survivor pensions and other potential future awards for accidents that occurred up to the measurement date. Workers' compensation benefits are provided according to the respective provincial workers' compensation legislation. Benefit entitlements in the three territories are based on the Alberta legislation.

(b) Risks associated with defined benefit plans

Funding risk

One of the primary risks that plan sponsors face is funding risk, which is the risk that the investment asset growth and contribution rates of the pension plans will not be sufficient to cover the pension funding obligations, resulting in unfunded liabilities. When funding deficits exist, regulations of the *Pension Benefits Standards Act*, *1985*, require that special contributions be made over specified future periods.

The most significant contributors to funding risk are declines in solvency discount rates, investments failing to achieve expected returns, and non-economic factors like changes in member demographics. Changes to member demographics, such as an increase in life expectancies of plan members, also contribute to increasing the funding obligations, which increases the funding risk faced by plan sponsors.

Funding risk is managed by monitoring and reviewing the funded ratio on an ongoing basis and ensuring that investment decisions are made in accordance with each plan's investment policies and procedures and applicable legislation. Investment policies and procedures are designed to provide the pension plans with a long-term rate of return sufficient to assist the plans in meeting funding objectives and the ongoing growth of the pension funding obligations. A Statement of Investment Policies and Procedures (SIPP), addressing the manner in which the pension plan assets will be invested, is reviewed at least annually for significant plans. For the most significant plans, asset-liability studies are conducted periodically to ensure that the pension plans' investment strategies remain appropriate in challenging economic environments.

Other risks

Plan assets are also subject to a variety of financial risks as a result of investment activities. These risks include credit risk, market risk (interest rate, currency and price risk) and liquidity risk arising from financial instruments. In addition, defined benefit obligations are subject to measurement uncertainty due to the use of significant actuarial assumptions (Note 10 [g]). The impact of these factors on the remeasurement of the pension benefit asset, and pension, other post-employment and other long-term benefit obligations can be significant and volatile (Note 10 [h]).

(c) Net defined benefit (asset) liability

A reconciliation of the net defined benefit (asset) liability of the defined benefit plans was as follows, including the present value of defined benefit plan obligations and the fair value of plan assets (in millions):

	As at December 31, 2024		As at December 31, 2023	
	Pension benefit plans	**Other benefit plans**	Pension benefit plans	Other benefit plans
Present value of benefit obligations				
Balance, beginning of year	29,033	3,174	26,241	2,900
Current service cost	452	88	373	79
Interest cost	1,310	145	1,337	149
Employee contributions	239	–	252	–
Benefits paid	(1,343)	(172)	(1,290)	(168)
Actuarial losses (Note 10 [f])	79	48	2,270	223
Losses from plan amendments (Note 10 [e])	–	–	1	–
Reclassified to liabilities of disposal groups held for sale (Note 7)	–	–	(151)	(9)
Balance, end of year	29,770	3,283	29,033	3,174
Fair value of plan assets				
Balance, beginning of year	32,504	–	31,172	–
Interest income on plan assets	1,470	–	1,600	–
Return on plan assets, excluding interest income on plan assets (Note 10 [e])	1,379	–	846	–
Employer regular contributions	–	–	99	–
Employer special contributions	–	–	1	–
Employee contributions	239	–	252	–
Other administration costs	(17)	–	(16)	–
Benefits paid	(1,343)	–	(1,290)	–
Reclassified to assets of disposal groups held for sale (Note 7)	–	–	(160)	–
Balance, end of year	34,232	–	32,504	–
Total net (surplus) deficit	(4,462)	3,283	(3,471)	3,174
Net defined benefit (asset) liability	**(4,462)**	**3,283**	(3,471)	3,174

A reconciliation of the net defined benefit (asset) liability was as follows (in millions):

	As at December 31, 2024		As at December 31, 2023	
	Pension benefit plans	Other benefit plans	Pension benefit plans	Other benefit plans
Net defined benefit (asset) liability, beginning of the year	(3,471)	3,174	(4,930)	2,900
Remeasurements of defined benefit plans (Note 10 [e])	(1,300)	31	1,423	213
Benefits paid directly to beneficiaries (Note 10 [i])	–	(172)	–	(168)
Employer regular contributions paid (Note 10 [i])	–	–	(99)	–
Employer special contributions paid (Note 10 [i])	–	–	(1)	–
Defined benefit expense (Note 10 [e])	309	250	127	238
Transfer to disposal group held for sale (Note 7)	–	–	9	(9)
Net defined benefit (asset) liability, end of the year	**(4,462)**	**3,283**	(3,471)	3,174

The net defined benefit (asset) liability was recognized and presented in the consolidated statement of financial position as follows (in millions):

	As at December 31, 2024	As at December 31, 2023
Pension benefit assets	**4,462**	3,471
Other post-employment and other long-term benefit liabilities	3,283	3,174
Current other long-term benefit liabilities	**54**	56
Non-current pension, other post-employment and other long-term benefit liabilities	**3,229**	3,118

(d) Fair value measurement of plan assets

The fair value measurement of plan assets disaggregated by asset class and the fair value hierarchy described in Note 3 (b.4) for the Group were as follows:

As at December 31, 2024 (in millions)

	Level 1		Level 2		Level 3		Total	
	$	%	$	%	$	%	$	%
Cash and short-term securities	235	1%	426	1%	–	–%	661	2%
Fixed income	–	–%	13,314	39%	108	–%	13,422	39%
Equities	7,532	22%	518	2%	1	–%	8,051	24%
Real estate	–	–%	–	–%	4,734	14%	4,734	14%
Private equity	–	–%	–	–%	2,313	7%	2,313	7%
Infrastructure	–	–%	–	–%	2,909	8%	2,909	8%
Derivatives	1	–%	1,225	4%	–	–%	1,226	4%
Other	–	–%	–	–%	740	2%	740	2%
Total investment assets	**7,768**	**23%**	**15,483**	**46%**	**10,805**	**31%**	**34,056**	**100%**
Non-investment assets less liabilities							176	
Fair value of plan assets							**34,232**	

As at December 31, 2023[1] (in millions)

	Level 1		Level 2		Level 3		Total	
	$	%	$	%	$	%	$	%
Cash and short-term securities	225	1%	438	1%	–	–%	663	2%
Fixed income	–	–%	12,855	40%	218	–%	13,073	40%
Equities	7,344	23%	492	2%	2	–%	7,838	25%
Real estate	–	–%	–	–%	4,377	13%	4,377	13%
Private equity	–	–%	–	–%	2,156	7%	2,156	7%
Infrastructure	–	–%	–	–%	2,374	7%	2,374	7%
Derivatives	8	–%	1,261	4%	–	–%	1,269	4%
Other	–	–%	–	–%	581	2%	581	2%
Total investment assets	7,577	24%	15,046	47%	9,708	29%	32,331	100%
Non-investment assets less liabilities							173	
Fair value of plan assets							32,504	

1. Excludes amounts reclassified to assets of disposal groups held for sale (Note 7).

Total plan assets included $4,519 million (2023 – $4,302 million) in money market instruments and bonds issued by the Government of Canada, its agencies and other Crown corporations and $129 million (2023 – $123 million) in refundable taxes held by the Canada Revenue Agency. The fair value of the refundable taxes is measured with a discounted cash flow approach using a risk-free government rate at December 31, 2024, with a duration that approximates the timing of future benefit payments. The fair value of the remainder of the non-investment assets less liabilities approximate their carrying value.

The Group's pension plans do not own financial instruments or any other assets of the Group.

(e) Defined benefit and defined contribution costs

The defined benefit and defined contribution cost components recognized in the consolidated statement of comprehensive income (loss) were as follows (in millions):

	For the year ended December 31, 2024			For the year ended December 31, 2023		
	Pension benefit plans	**Other benefit plans**	**Total**	Pension benefit plans	Other benefit plans	Total
Current service cost	452	88	540	373	79	452
Interest cost	1,310	145	1,455	1,337	149	1,486
Interest income on plan assets	(1,470)	–	(1,470)	(1,600)	–	(1,600)
Actuarial losses (Note 10 [f])[1]	–	17	17	–	10	10
Other administration costs	17	–	17	16	–	16
Losses from plan amendments (Note 10 [c])	–	–	–	1	–	1
Defined benefit expense (Note 10 [c])	309	250	559	127	238	365
Defined contribution expense	45	–	45	41	–	41
Total expense	354	250	604	168	238	406
Return on segregated securities	–	(13)	(13)	–	(15)	(15)
Component included in employee benefits expense (Note 9)	**354**	**237**	**591**	168	223	391
Remeasurement (gains) losses:						
Return on plan assets, excluding interest income on plan assets (Note 10 [c])	(1,379)	–	(1,379)	(846)	–	(846)
Actuarial losses (Note 10 [f])	79	31	110	2,270	213	2,483
Change in asset ceiling	–	–	–	(1)	–	(1)
Component included in other comprehensive (income) loss (Note 10 [c])[2,3]	**(1,300)**	**31**	**(1,269)**	**1,423**	**213**	**1,636**

1. Remeasurements for other long-term benefit plans are recognized in net profit or loss in the period in which they arise. The discount rate used to measure the Canada Post segment other long-term benefit plans at December 31, 2024, was 4.39% (2023 – 4.61%).
2. Amounts presented in this table exclude income tax expense of $317 million for the year ended December 31, 2024 (2023 – income tax recovery of $409 million).
3. The discount rates used to measure the Canada Post segment pension benefit plans and other benefit plans at December 31, 2024, were 4.71% and 4.73%, respectively (2023 – 4.64%).

(f) Actuarial losses (gains)

The actuarial losses (gains) components recognized in the consolidated statement of comprehensive income were as follows (in millions):

	For the year ended December 31, 2024			For the year ended December 31, 2023		
	Pension benefit plans	**Other benefit plans**	**Total**	Pension benefit plans	Other benefit plans	Total
Actuarial losses from other long-term benefit obligations included in net profit (Note 10 [e])	**–**	**17**	**17**	–	10	10
Actuarial losses on defined benefit obligations:						
Actuarial losses (gains) arising from changes in demographic assumptions	–	6	6	–	(9)	(9)
Actuarial (gains) losses arising from changes in financial assumptions	(139)	12	(127)	2,308	222	2,530
Actuarial losses (gains) arising from experience adjustments	218	13	231	(38)	–	(38)
Actuarial losses included in other comprehensive income (Note 10 [e])	**79**	**31**	**110**	2,270	213	2,483
Total actuarial losses (Note 10 [c])	**79**	**48**	**127**	2,270	223	2,493

(g) Significant actuarial assumptions

The weighted-average actuarial assumptions used in measuring the Group's significant defined benefit plans were as follows:

	As at December 31, 2024		As at December 31, 2023	
	Pension benefit plans	**Other benefit plans**	Pension benefit plans	Other benefit plans
Present value of defined benefit obligations:				
Discount rate	4.71%	4.73%	4.64%	4.64%
Consumer price index	2.00%	2.00%	2.00%	2.00%
Defined benefit expense:				
Discount rate – current service cost	4.63%	4.63%	5.26%	5.24%
Discount rate – interest cost and interest income on plan assets	4.62%	4.62%	5.23%	5.25%
Consumer price index	2.00%	2.00%	2.00%	2.00%
Healthcare cost trend rate[1]	N/A	4.84%	N/A	4.92%

1. For 2024 and 2023, the healthcare cost trend rates were 4.84% and 4.92%, respectively, decreasing progressively to a rate of 4.00% by 2040.

The average life expectancies used in the measurement of the defined benefit obligations for the significant plans were as follows:

	As at December 31, 2024	As at December 31, 2023
Life expectancy[1] at age 60 at December 31, 2024, and 2023 (in years):		
Males	26	26
Females	29	29
Life expectancy[1] at age 60 at December 31, 2044, and 2043 (in years):		
Males	27	27
Females	30	30

1. The average life expectancies are based on the Canadian Institute of Actuaries' Final Report on Canadian Pensioners Mortality (CPM), more specifically 103% (males) and 102% (females) of the rates of the CPM 2014 Private Sector Mortality Tables with the CPM improvement scale B. A study of the Canada Post Registered Pension Plan experience was conducted in 2022, the results of which show that these adjusted tables give the best agreement with past experience.

(h) Sensitivity analysis

The sensitivity analysis of the significant actuarial assumptions on the Group's defined benefit obligations was as follows (in millions):

	As at December 31, 2024			As at December 31, 2023		
	Pension benefit plans	**Other benefit plans**	**Total**	Pension benefit plans	Other benefit plans	Total
Discount rate sensitivity:						
0.5% increase in discount rate	(1,866)	(212)	(2,078)	(1,878)	(209)	(2,087)
0.5% decrease in discount rate	2,081	237	2,318	2,058	234	2,292
Consumer price index (CPI) sensitivity:						
0.25% increase in CPI	822	25	847	778	27	805
0.25% decrease in CPI	(786)	(23)	(809)	(754)	(25)	(779)
Mortality table sensitivity:						
10% increase in mortality tables	(679)	(56)	(735)	(632)	(52)	(684)
10% decrease in mortality tables	748	65	813	696	61	757
Healthcare cost trend rate sensitivity:						
1% increase in healthcare trend rates	N/A	335	335	N/A	364	364
1% decrease in healthcare trend rates	N/A	(268)	(268)	N/A	(289)	(289)

This sensitivity analysis is hypothetical and must be used with caution. Changes in amounts based on these variations in assumptions generally cannot be extrapolated because the relationship of the change in assumptions to the change in amounts may not be linear. The sensitivity analysis has been calculated independently of changes in other significant assumptions. Changes in one factor may result in changes in another, which could amplify or reduce certain sensitivities. Methods used in determining this sensitivity analysis are consistent with those used to determine the pension and other benefit plan obligations.

The mortality tables sensitivity demonstrates the impact of an increase or decrease in the probability of death within a year for plan members of various ages.

The weighted-average duration of the pension plans, other post-employment plans and other long-term employee benefit plan obligations for the Group ranges from 14 to 19, 3 to 17, and 2 to 7 years, respectively.

(i) Total cash payments and funding relief

Total cash payments for pension, other post-employment and other long-term benefits for the Group were as follows (in millions):

	For the year ended December 31, 2024	For the year ended December 31, 2023
Benefits paid directly to beneficiaries for other benefit plans (Note 10 [c])	172	168
Employer regular contributions to pension benefit plans (Note 10 [c])	–	99
Employer special contributions to pension benefit plans (Note 10 [c])	–	1
Cash payments for defined benefit plans	172	268
Contributions to defined contribution plans	45	41
Total cash payments	**217**	309

As the December 31, 2023, funded position of the Canada Post Registered Pension Plan (RPP) was positive and exceeded certain legislative thresholds, no special solvency payments were required for 2024, and Canada Post was not permitted to make employer current service contributions for 2024.

(j) Future expected contributions

In 2025, the Group's total contributions to defined benefit pension plans are estimated to be nil.

The going-concern ratio and solvency ratio (using market value of plan assets) of the Canada Post RPP are estimated to continue to exceed legislative thresholds as at December 31, 2024. As a result, Canada Post must continue to use the surplus and is not permitted to make employer current service contributions for 2025. Final actuarial valuation results may differ significantly from these estimates. The funded position and impacts on regular contributions will be reassessed at the next valuation date.

11. Income Taxes

The Corporation is a prescribed Crown corporation for tax purposes and, as such, is subject to federal income taxation under the *Income Tax Act*. The Corporation's subsidiaries are subject to federal and provincial income taxes.

The sources of the temporary differences giving rise to net deferred tax assets (liabilities), affecting net loss and other comprehensive income (OCI), were as follows (in millions).

	December 31, 2023	**Recognized in net loss**	**Recognized in OCI**	**December 31, 2024**
Net deferred tax assets (liabilities)				
Capital assets	(219)	(31)	–	(250)
Right-of-use assets	(197)	(26)	–	(223)
Salaries and benefits payable	23	1	–	24
Lease Liabilities	248	30	–	278
Pension, other post-employment and other long-term benefit liabilities	(306)	125	(317)	(498)
Non-capital losses carry forward	269	235	–	504
Other	13	6	(1)	18
Net deferred tax assets (liabilities)	(169)	**340**	**(318)**	**(147)**

	December 31, 2022	Recognized in net loss	Recognized in OCI	Other[1]	December 31, 2023
Net deferred tax assets (liabilities)					
Capital assets	(166)	(55)	–	2	(219)
Right-of-use assets	(353)	102	–	54	(197)
Salaries and benefits payable	16	7	–	–	23
Lease Liabilities	404	(97)	–	(59)	248
Pension, other post-employment and other long-term benefit liabilities	(518)	(198)	409	1	(306)
Non-capital losses carry forward	65	204	–	–	269
Other	19	6	(5)	(7)	13
Net deferred tax assets (liabilities)	(533)	(31)	404	(9)	(169)

1. Includes amounts reclassified to assets and liabilities of disposal groups held for sale (Note 7) and amounts recorded to goodwill related to the acquisition of a subsidiary by the Purolator segment.

As presented in the consolidated statement of financial position (in millions):

	December 31, 2024	December 31, 2023
Deferred tax assets	–	–
Deferred tax liabilities	147	169
Net deferred tax liabilities	**(147)**	(169)

While the Corporation is in a net deferred tax liability position, recognition of deferred tax assets is based on management's assessment of all available evidence, such as the reversal of existing taxable temporary differences, which suggests that realizing deferred tax assets is probable. In 2024 and 2023, management concluded that there is insufficient evidence to support recognition of certain deferred tax assets due to insufficient taxable temporary differences expected to reverse in the same period as the expected reversal of the deductible temporary difference. A history of recurring financial losses was also considered. This assessment resulted in a reduction of our deferred tax asset (netted with deferred tax liabilities) of $203 million (2023 – $ 231 million), which represents management's best estimate of future results and the probability of future recoverability of the deferred tax assets. This does not result in an immediate cash outflow nor does it affect the Group's immediate liquidity position. The Corporation has not recognized a deferred tax asset relating to deductible temporary differences of $812 million (2023 – $ 924 million).

Deferred tax liabilities were not recognized for temporary differences associated with investments in subsidiaries as the Corporation is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. The aggregate amount of these temporary differences at December 31, 2024, was $1,092 million (2023 – $1,072 million).

The major components of tax expense (recovery) were as follows (in millions):

	For the year ended December 31, 2024	For the year ended December 31, 2023
Current tax expense	94	77
Deferred tax recovery relating to origination and reversal of temporary differences	(312)	(200)
Deferred tax (recovery) expense relating to write-down of deferred tax asset	(28)	231
Tax (recovery) expense	**(246)**	108

The tax expense (recovery) differed from the amount that would be computed by applying the Corporation's federal statutory income tax rate of 25% (2023 – 25%) to loss before tax. The reasons for the differences were as follows (in millions):

	For the year ended December 31, 2024	For the year ended December 31, 2023
Loss before tax	(665)	(529)
Federal tax at Corporation's statutory rate	(166)	(132)
Subsidiaries' provincial tax less federal tax abatement	8	4
Divestiture of subsidiaries	(45)	–
Deferred tax expense (recovery) relating to write-down of deferred tax asset	(28)	231
Other	(15)	5
Tax expense (recovery)	**(246)**	108

12. Goodwill

The carrying amounts of goodwill for the Purolator segment was as follows (in millions):

	As at December 31, 2024	As at December 31, 2023
Balance, beginning of the year	161	130
Goodwill, acquired during the year	–	40
Goodwill reclassified to assets of disposal groups held for sale (Note 7)	–	(9)
Balance, end of the year	**161**	161

Goodwill impairment testing

Impairment testing for goodwill is carried out annually. The recoverable amount was estimated based on its value in use and was determined to be higher than its carrying value. No impairment was recognized in the current or prior year.

The calculation of the value in use was based on the following assumptions:

- Future cash flows were discounted in determining the value in use. The cash flows were based on Purolator's five-year plan, which is aligned with past experience and the way Purolator is managed. Cash flows were extrapolated in perpetuity using a growth rate of 3.0% (2023 – 2.5%), which considers growth and inflation, and reflects an acceptable percentage given the information and industry standard.
- The recoverable amount was calculated using a pre-tax discount rate of 13.4% (2023 – 16.6%), which is based on Purolator's weighted-average cost of capital.

13. Trade and Other Payables

(in millions)

	As at December 31, 2024	As at December 31, 2023
Trade payables	344	223
Accruals and other payables	339	478
Payables to foreign postal administrations	107	95
Outstanding money orders	13	15
Taxes payable	27	69
Total	**830**	880

Market and liquidity risks relating to trade and other payables are disclosed in Note 18.

14. Contingent Liabilities

(a) In the normal course of business, the Group enters into agreements that include indemnities in favour of third parties. In addition, each member of the Group indemnifies its respective directors, officers and certain employees, either through corporate by-laws or indemnity agreements, against claims and expenses incurred by them as a result of serving as directors or officers of the Group or as directors or officers or in a similar capacity of another entity at the request of the Group.

These agreements generally do not contain specified limits on the Group's liability. Therefore, it is not possible to estimate the potential future liability from these indemnities. No amounts have been accrued in the consolidated financial statements with respect to these indemnities.

(b) The Group is involved in various other labour-related matters, claims and litigation in the normal course of business for which the outflows of resources to settle the obligations either cannot be estimated or are not probable at this time. Provisions for such claims are recorded when an obligation exists, an outflow of resources is probable, and amounts can be reasonably estimated. As the Group implements decisions related to these labour-related matters, such provisions may be adjusted in subsequent periods as it is not possible to predict final settlements. Further detailed information will not be provided as it could be prejudicial to the Group.

15. Loans and Borrowings

(in millions)

	As at December 31, 2024		As at December 31, 2023	
	Fair value[3]	**Carrying value**	Fair value[3]	Carrying value
Series 2 bonds maturing July 2025, interest at 4.08%, payable semi-annually on January 16 and July 16 (current)[1,2]	503	500	499	499
Series 1 bonds maturing July 2040, interest at 4.36%, payable semi-annually on January 16 and July 16 (non-current)[1,2]	515	498	527	499
Total loans and borrowings	**1,018**	**998**	1,026	998

1. The Corporation has a right of redemption prior to maturity at a premium to fair value.
2. Bonds constitute direct, unconditional and unsecured obligations of the Corporation and direct, unconditional obligations of the Government of Canada.
3. The estimated fair values disclosed for loans and borrowing are categorized as level 2 in the fair value hierarchy and are applied on a recurring basis. There were no transfers between the levels of the fair value hierarchy during the years ended December 31, 2024, and 2023.

Additional information regarding the Group's externally imposed capital requirements and borrowing capacity is disclosed in notes 17 and 18 (c).

Interest expense on loans and borrowings amounted to $42 million (2023 – $42 million) and the unpaid amount is accrued to trade and other payables. Interest paid is included in cash flows from operating activities in the consolidated statement of cash flows.

Future principal repayments on loans and borrowings were as follows (in millions):

	As at December 31, 2024 and 2023
Maturity:	
2025	500
2040	500
	1,000

16. Lease Liabilities

(a) Lease liabilities (in millions)

	As at December 31, 2024	As at December 31, 2023
Maturity analysis – contractual undiscounted cash flows[1,2,3]		
Less than one year	155	138
One to five years	587	522
More than five years	1,619	1,486
Total undiscounted lease liabilities	**2,361**	2,146
Lease liabilities in the consolidated statement of financial position	**1,667**	1,484
Current lease liabilities	**100**	94
Non-current lease liabilities	**1,567**	1,390

1. Included in the above table are lease payments (undiscounted cash flows) to be made to related parties in the normal course of business, in the amount of $35 million for premises used in postal operations (2023 – $20 million).
2. Leases that have not yet commenced, but which have been committed as at December 31, 2024, have future cash outflows of $73 million that are excluded from the measurement of lease liabilities (December 31, 2023 – $199 million).
3. Leases that have been reclassified to liabilities of disposal groups held for sale are excluded from the maturity analysis.

(b) Changes in liabilities arising from financing activities (in millions)

	December 31, 2023	**Payments**	**Interest**	**Net lease additions**	**December 31, 2024**
Lease liabilities	1,484	**(154)**	**49**	**288**	**1,667**

	December 31, 2022	Payments	Interest	Net lease additions	Reclassified to liabilities of disposal groups held for sale (Note 7)	December 31, 2023
Lease liabilities	1,583	(177)	48	252	(222)	1,484

17. Capital Management

The Corporation is subject to the *Canada Post Corporation Act* and the *Financial Administration Act* (Acts) and any directives issued pursuant to the Acts. The Acts affect how the Corporation manages its capital by, among other things, setting broad objectives for the Corporation. Specifically, while maintaining basic postal service and in carrying out its objectives, the Corporation must have regard for the need to conduct its operations on a self-sustaining financial basis, while providing a standard of service that meets the needs of the people of Canada.

The Corporation views capital as the sum of loans and borrowings and equity of Canada. This definition of capital is used by management and may not be comparable to measures presented by other postal organizations or public companies.

Total outstanding loans and borrowings were $998 million ($500 million due within 12 months) at December 31, 2024. The equity of Canada was in a surplus position of $5,009 million at December 31, 2024 (2023 – $4,496 million). The increase in the equity of Canada was attributable to remeasurement gains of defined benefit plans, which were recognized in other comprehensive income and included immediately in retained earnings, and the gain on sale of SCI in Q1 2024 and Innovapost in Q2 2024, partially offset by net losses.

The Corporation's objectives in managing capital are as follows:

- Provide sufficient liquidity to support and repay its financial obligations and support its operating and strategic plans.
- Safeguard the Corporation's ability to continue as a going concern.
- Maintain financial capacity and access to credit facilities to support future development of the business.

These objectives and their related strategies are reviewed and approved each year by the Board of Directors through the annual Corporate Plan, which is then forwarded for Treasury Board approval. On October 28, 2024, the Corporation's 2025-29 Corporate Plan was submitted to the Minister responsible for Canada Post and the first year of the Plan was approved by the Treasury Board.

The borrowing capacity of the Corporation and its access to credit facilities are outlined in the discussion of liquidity risk arising from financial instruments in Note 18 (c). Pursuant to the *Financial Administration Act*, Part X, the Corporation must indicate its intention to borrow money in the annual Corporate Plan, or in an amendment thereto, both of which are subject to the approval of the Corporation's Board of Directors and the Treasury Board. In addition, the detailed terms and conditions of any specific borrowing transaction must be approved by the Minister of Finance.

The Corporation's borrowing limit, other than from the Crown, is authorized pursuant to *Appropriation Act No. 4, 2009-10*. The *Canada Post Corporation Act* provides a maximum limit for borrowing from the Government of Canada's Consolidated Revenue Fund and for the establishment of a share capital structure, giving the Corporation the ability to raise funds through the issuance of shares to the Government of Canada and to the Corporation's employees. No such shares have been issued. Additional information regarding the Corporation's total authorized borrowing limit is disclosed in Note 18 (c).

The Corporation is not subject to any externally imposed capital requirements. Under various borrowing agreements, Purolator must satisfy certain restrictive covenants related to funded debt to income before interest, tax and depreciation and amortization, and interest coverage ratios. Purolator is in compliance with all covenants.

18. Financial Instruments and Risk Management

Financial risk factors

The Group's financial instruments are exposed to a variety of financial risks: market risk (including interest rate risk, foreign exchange risk and commodity risk), credit risk and liquidity risk. Risk management for investment activities is carried out by the Corporate Treasury function under policies approved by the Board of Directors. Investments are held for liquidity purposes, or for longer terms, to achieve the highest possible rate of return, consistent with the investment policies approved by the Board of Directors. The Group has various other financial instruments, such as trade and other receivables, trade and other payables and salaries payable, which arise directly from operations. The Group enters into derivative contracts to manage certain risks in accordance with its risk management policy. Derivatives are never purchased for speculative purposes.

Risk management strategies are likely to evolve in response to future conditions and circumstances, and changes in the economic environment. These future strategies may not fully insulate the Group in the near term from adverse effects, the more significant of which relate to liquidity and capital resources as well as exposure to credit losses.

(a) Market risk

Market risk is the potential for loss that may arise from changes in external market factors, such as interest rates, foreign exchange rates and commodity prices.

(a.1) Interest rate risk – The Group's investments consist of cash equivalents, marketable securities and segregated securities and are classified as fair value through other comprehensive income. Substantially all investments are fixed-rate debt securities; therefore, they are exposed to a risk of change in their fair value for changes in interest rates. The risk is managed by either maintaining a short term to maturity or, in the case of segregated securities, extending terms to maturity to better match certain long-term post-employment liabilities to which they are externally restricted. The average duration in the segregated securities portfolio was 10 years as at December 31, 2024 (2023 – 10 years).

The Group has performed a sensitivity analysis on interest rate risk using a 1% increase or decrease, which represents management's assessment of a reasonably possible change in interest rates given the nature and term to maturity of the outstanding investments. An increase or decrease of 1% in market interest rates, with all other variables held constant, would decrease or increase the value of the segregated securities and other comprehensive income by $33 million at

December 31, 2024 (2023 – $40 million). Such change in value would be partially offset by the change in value of certain post-employment benefit liabilities. All the Group's loans and borrowings have fixed interest rates with prepayment terms at a premium to fair value.

(a.2) Foreign exchange risk – Exposure to foreign exchange risk primarily applies to the Canada Post segment where it arises mainly from international settlements with foreign postal administrations and the redemption of money orders denominated in foreign currencies. The Corporation's obligation to settle with foreign postal administrations is denominated in special drawing rights (SDRs), a basket of currencies comprising the U.S. dollar (US$), euro (€), British pound (£), Japanese yen (JP¥) and Chinese renminbi (CN¥), whereas payment is usually denominated in US$.

The Canada Post segment has an economic hedge program to mitigate its exposure to foreign exchange balances and forecasted sales denominated in SDRs. The mark-to-market adjustment on outstanding forward contracts held at December 31, 2024, was not significant.

Foreign exchange and derivative gains (losses) recognized for the years ended December 31, 2024, and 2023, were not significant. The effect on the remaining foreign exchange exposure of a 10% increase or decrease in prevailing exchange rates at December 31, 2024, all other variables held constant, would have been an increase or decrease in net loss for the year by $19 million (2023 – $16 million).

(a.3) Commodity risk – The Group is inherently exposed to fuel-price increases. It partially mitigates this risk through the use of a fuel-price surcharge on some of its products. This is an industry-accepted practice and long-standing technique in mitigating risk and as a result, does not require derivative instruments to manage the remaining exposure to commodity risk.

(b) Credit risk

Credit risk refers to the risk that a counterparty to a financial instrument will default on its contractual obligations, resulting in financial loss to the Group. Credit risk arises from investments in corporations and financial institutions, as well as credit exposures to wholesale and commercial customers, including outstanding receivables. Sales to consumers are settled in cash or using major credit cards.

The carrying amount of financial assets recorded in the consolidated financial statements, which are presented net of expected credit losses, represents the Group's maximum exposure to credit risk. The Group does not believe that it is subject to any significant concentration of credit risk.

(b.1) Cash equivalents, marketable securities and segregated securities – Credit risk arising from investments in cash equivalents, marketable securities and segregated securities is mitigated by investing with issuers that meet specific criteria and imposing dollar limits by financial product type and debt issuer. Investments in financial institutions and corporations must be investment grade ratings with minimum ratings from two external rating agencies that are equivalent to Dominion Bond Rating Service (DBRS) ratings of R-1 (middle) for short-term investments and A for long-term investments. The Group regularly reviews the credit ratings of issuers with which the Group holds investments and disposes of investments within a specified time period when the issuer's credit rating declines below acceptable levels.

We assessed and increased our estimate of the 12-month expected credit loss on certain marketable securities and segregated asset investments for investment categories with maturities greater than 12 months in 2024. There were no significant allowance and no impairment loss on investments recognized during the year and or held at year's end (2023 – nil).

The following table shows the credit risk concentration by credit risk rate grades of debt securities held as cash equivalents, marketable securities and segregated securities (in millions):

	For the year ended December 31, 2024			For the year ended December 31, 2023		
	R-1 (high)[1] / AAA[4]	**R-1 (middle)[2] / AA[5]**	**R-1 (low)[3] / A[6]**	R-1 (high) / AAA	R-1 (middle) / AA	R-1 (low) / A
Cash equivalents	**30**	**32**	**–**	50	73	–
Marketable securities	**245**	**45**	**–**	258	77	–
Segregated securities	**149**	**95**	**93**	208	96	94
12-month expected credit loss rate	**0.00%**	**0.29%**	**0.29%**	0.00%	0.29%	0.29%

The DBRS credit risk rate grades applicable to cash equivalents and marketable securities are considered investment grade and are defined as follows:

1. R-1 (high): Highest credit quality. The capacity for the payment (by the debtor) of short-term financial obligations as they fall due is exceptionally high. Unlikely to be adversely affected by future events.
2. R-1 (middle): Superior credit quality. The capacity for the payment (by the debtor) of short-term financial obligations as they fall due is very high. It differs from R-1 (high) by a relatively modest degree. Unlikely to be significantly vulnerable to future events.
3. R-1 (low): Good credit quality. The capacity for the payment (by the debtor) of short-term financial obligations as they fall due is substantial. Overall strength is not as favourable as higher rating categories. May be vulnerable to future events, but qualifying negative factors are considered manageable.

The DBRS credit risk rate grades applicable to segregated securities are considered investment grade and are defined as follows:

4. AAA: The loan portfolio (of debt securities) is the highest credit quality.
5. AA: The loan portfolio (of debt securities) is superior credit quality.
6. A: The loan portfolio (of debt securities) is good credit quality.

The gross carrying amount of the debt securities approximates their net carrying amount due to the low expected credit loss rate.

(b.2) Trade and other receivables – Credit risk associated with trade receivables from wholesale and commercial customers is mitigated by the Group's large customer base, which covers substantially all business sectors in Canada. The Group follows a program of individual customer credit evaluation based on financial strength and payment history and limits the amount of credit. The Group monitors customer accounts against these credit limits and the aging of past-due invoices.

Credit risk attributable to receivables from foreign postal administrations, other than the United States Postal Service (USPS), is generally mitigated by corresponding trade payables to each foreign postal administration, under the provisions of the Universal Postal Union. Amounts receivable from and payable to the USPS are settled independently under the bilateral agreement between the Corporation and the USPS. Estimates of receivables and payables, including monthly provisional payments, are based on statistics for weights and number of pieces exchanged by Canada and the United States. Final settlement with each foreign postal administration can be billed a year or more after the service is performed.

The age of receivables and the allowance for doubtful accounts for trade and other receivables were as follows (in millions):

	As at December 31, 2024	As at December 31, 2023
Trade receivables:		
Current	528	466
1-15 days past due	93	96
16-30 days past due	46	55
Over 30 days past due	74	47
Allowance for doubtful accounts	(16)	(11)
Trade receivables – net	725	653
Trade receivables from foreign postal administrations	170	197
Other receivables	5	113
Trade and other receivables	**900**	963

A weighted average expected loss rate ranged from 0.1% to 3.1% (2023 – 0% to 2.2%), based on historical write-offs, is applied to current and past due amounts and trade receivables aging is monitored to identify potential credit deterioration.

(c) Liquidity risk

Liquidity risk is the risk that a company will not be able to meet its financial obligations as they fall due. Liquidity risk is managed by maintaining adequate cash reserves, banking facilities and reserve-borrowing facilities, by monitoring forecasted and actual cash flows and matching the maturity profiles of financial assets and liabilities. Surplus cash is invested into a range of short-term money market securities. Investments are in high-credit quality government or corporate securities, in accordance with policies approved by the Board of Directors. Refer to Note 4 (a.1) for management's conclusion on the Corporation's ability to continue as a going concern.

(c.1) Net liquidity position

The Canada Post segment had $818 million of unrestricted liquid investments on hand as at December 31, 2024, for a net liquidity position of negative $180 million (2023 – positive $170 million), after outstanding loans and borrowings of $998 million (2023 – $998 million). The segment's net liquidity position worsened by $350 million due to continued operating losses partially offset by proceeds from the divestitures of SCI and Innovapost. The Corporation's cash resources have been depleted significantly since 2018 due to operating losses and significant costs associated with expanding capacity and maintaining the network. A debt of

$500 million maturing in July 2025, less than 12 months from the date of approval of these consolidated financial statements, will create significant cash flow pressure.

(c.2) Borrowing

Our short-term borrowing needs depend on effectively managing discretionary spending, re-prioritizing investments, and increasing revenue to preserve remaining cash.

Our long-term borrowing needs are based on our authority to implement strategic and regulatory changes to our business operations that allow us to achieve financial viability or secure government assistance through mechanisms within the *Canada Post Corporation Act* or the *Appropriation Act No. 4, 2009-10*. Our borrowing needs are also based in part on expected future contributions to the Canada Post Registered Pension Plan (notes 10 [i] and 10 [j]).

The Corporation's borrowing plan is reviewed and approved annually by the Board of Directors and subsequently submitted to the Treasury Board for approval on the recommendation of the Minister responsible for Canada Post and the Minister of Finance, as part of its Corporate Plan approval process (Note 17). Pursuant to section 29 of the *Canada Post Corporation Act*, the Corporation qualifies for borrowings of a maximum of $500 million from the Government of Canada's Consolidated Revenue Fund, with the approval of the Governor in Council and the Minister of Finance. Pursuant to *Appropriation Act No. 4*, 2009-10, the Corporation is authorized to borrow other than from the Crown an aggregate outstanding amount not exceeding $2.5 billion, in accordance with the terms and conditions approved by the Minister of Finance. Lease liabilities are not considered toward this limit.

As part of the total authorized borrowing limit, for the year ending December 31, 2024, a maximum of $100 million was available for cash management purposes in the form of short-term borrowings.

Pursuant to subsection 127(3) of the *Financial Administration Act*, the Minister of Finance approved the aggregate principal outstanding amount for all short-term borrowings in 2025 with a maturity of one year or less, which are not to exceed $600 million. Short-term borrowings may consist of a line of credit or the issuance of promissory notes that is not to exceed $100 million and additional short-term borrowing facilities for emergency cash management purposes that are not to exceed $500 million. Additional facilities may consist of borrowing from the Crown or otherwise, if made available.

(c.3) Letters of credit and financing facilities

At December 31, 2024, the Corporation had access to a credit facility totalling $47 million (2023 – $97 million). Letters of credit of $19 million (2023 – $18 million) were issued under this facility.

As at December 31, 2024, Purolator had access to financing facilities totalling $5 million (2023 – $105 million), of which no amount (2023 – nil) was drawn at year's end. Purolator also had letters of credit issued in the amount of $4 million (2023 – $9 million). Additional information regarding the Group's loans and borrowings is disclosed in Note 15.

(c.4) Government funding

In accordance with section 31 of the *Canada Post Corporation Act*, Canada Post applied to receive amounts required to enable it to meet its operating and income charges, which are not sufficiently covered by its expected available revenues during the Government of Canada fiscal year ending March 31, 2026. Amounts placed at the disposal of the Corporation pursuant to section 31 are to be reimbursed to the Minister of Finance from the annual revenues of the Corporation in so far as such revenues are sufficient. Refer to Note 4 (a.1) for the going-concern assessment and Note 26 for the approval status of such funding.

(c.5) Contractual maturities for financial liabilities

The following table details contractual maturities for financial liabilities. The amounts represent undiscounted cash flows of financial liabilities based on the earliest required payment date. The table includes principal and interest cash flows:

As at December 31, 2024 (in millions)

	Less than one year	**Later than one year and not later than five years**	**Later than five years**	**Total**
Non-interest bearing[1]	1,193	–	–	1,193
Bonds, Series 1	22	87	740	849
Bonds, Series 2	520	–	–	520
	1,735	**87**	**740**	**2,562**

As at December 31, 2023 (in millions)

	Less than one year	Later than one year and not later than five years	Later than five years	Total
Non-interest bearing[1]	1,274	–	–	1,274
Bonds, Series 1	21	87	762	870
Bonds, Series 2	21	520	–	541
	1,316	607	762	2,685

1. Non-interest bearing consists of financial liabilities included in trade and other payables and salaries and benefits payable.

Liquidity risk arising from financial instruments is also affected by the Group's management of debt and equity levels that is summarized in Note 17.

19. Commitments

In the normal course of business, the Group enters into contractual arrangements for the supply of goods and services over periods sometimes extending beyond one year. These contractual arrangements typically contain termination rights which allow the Group to terminate contracts without penalty at its discretion. Disbursements largely depend on future volume-related requirements and consumption. The most significant arrangements relate to contracted transportation and IT services, operating, facility and property management costs, and contracts for the purchase of vehicles.

At December 31, 2024, contractual arrangements with third-party suppliers that contain a commitment or fee for the ability to terminate for convenience approximated $248 million (2023 – $125 million), for contracts in effect until 2045.

20. Disaggregation of Revenue

(a) Geographic area revenue information

Revenue reported is, for the Corporation, based on the location of the foreign postal administration or the customer hiring the service, and based on the product group (determined by destination) for the Purolator segment. Individual foreign countries that are sources of material revenue are reported separately. The Group has no significant assets located outside of Canada. All intersegment revenue is domestic; therefore, revenue for geographic areas is reported net of intersegment revenue (in millions):

	For the year ended December 31, 2024	For the year ended December 31, 2023
Canada	8,588	9,377
United States	190	237
Rest of the world	126	172
Total revenue	**8,904**	9,786

(b) Products and services revenue information

Revenue reported for products and services is based on information available at the time of sale, such that stamps and meter revenues are reported separately, rather than being attributed to the lines of business (in millions):

	For the year ended December 31, 2024			For the year ended December 31, 2023		
	Total revenue	**Intersegment and consolidation**	**Revenue from external customers**	Total revenue	Intersegment and consolidation	Revenue from external customers
Revenue attributed to products and services						
Parcels	5,618	(53)	5,565	6,471	(161)	6,310
Transaction Mail	1,616	–	1,616	1,687	(1)	1,686
Direct Marketing	930	–	930	951	(1)	950
Consumer products and services	214	–	214	204	(2)	202
	8,378	**(53)**	**8,325**	9,313	(165)	9,148
Unattributed revenue						
Stamp postage	248	–	248	281	–	281
Meter postage	331	–	331	357	–	357
	579	**–**	**579**	638	–	638
IT services[1]	**103**	**(103)**	**–**	360	(360)	–
Total	**9,060**	**(156)**	**8,904**	10,311	(525)	9,786

1. IT services provided by Innovapost were consolidated through April 15, 2024, the date of divestiture when control was transferred to the acquirer. IT services revenue (formerly "Other") was reclassified to conform to current year presentation and realignment due to the divestiture of the IT business unit in 2024.

(c) Sales channel revenue information

Sales channel revenue is reported for domestic revenue from commercial customers and for domestic retail from sales to consumers. International revenue includes revenue from the United States and the rest of the world as defined in Note 20 (a). Through April 15, 2024, the date of divestiture, revenue earned by Innovapost, the information technology (IT) business unit, was eliminated on consolidation (in millions):

	For the year ended December 31, 2024			For the year ended December 31, 2023		
	Total revenue	**Intersegment and consolidation**	**Revenue from external customers**	Total revenue	Intersegment and consolidation	Revenue from external customers
Domestic						
Commercial	6,354	(53)	6,301	7,150[1]	(163)	6,987
Retail	2,287	–	2,287	2,390	–	2,390
	8,641	**(53)**	**8,588**	9,540[1]	(163)	9,377
International	**316**	**–**	**316**	409	–	409
IT services	**103**	**(103)**	**–**	362[1]	(362)	–
Total	**9,060**	**(156)**	**8,904**	10,311	(525)	9,786

1. Foreign exchange losses of $2 million were reclassified within sales channels from IT services (formerly "Other") to commercial, to conform to current year presentation and realignment due to the divestiture of the IT business unit in 2024.

21. Other Operating Costs

(in millions)

	For the year ended December 31, 2024	For the year ended December 31, 2023
Non-labour collection, processing and delivery	2,025	2,132
Property, facilities and maintenance	339	350
Selling, administrative and IT	673	648
Non-capital investment expense	224	359
Other operating costs	**3,261**	3,489

22. Investing and Financing Income (Expense)

(in millions)

	For the year ended December 31, 2024	For the year ended December 31, 2023
Gain on sale of disposal groups held for sale (Note 7)	**346**	–
Interest income	77	92
Other income	2	3
Investment and other income	**79**	95
Interest expense	(93)	(90)
Other expense	(10)	(3)
Finance costs and other expense	**(103)**	(93)
Investing and financing income (expense), net	**322**	2

23. Other Comprehensive Income (Loss)

(in millions)

	Items that may subsequently be reclassified to net profit (loss)			Item never reclassified to net profit (loss)	
	Change in unrealized fair value of financial assets	Cumulative foreign currency adjustment	Accumulated other comprehensive income (loss)	Remeasurements of defined benefit plans	Other comprehensive income (loss)
Accumulated balance as at December 31, 2022	(14)	4	(10)		
Gains (losses) arising	19	–	19	(1,636)	(1,617)
Income taxes	(5)	–	(5)	409	404
Net	14	–	14	(1,227)	(1,213)
Accumulated balance as at December 31, 2023	–	4	4		
Gains (losses) arising	–	2	2	1,269	1,271
Income taxes	(1)	–	(1)	(317)	(318)
Net	**(1)**	**2**	**1**	**952**	**953**
Accumulated balance as at December 31, 2024	**(1)**	**6**	**5**		

24. Related Party Transactions

The Corporation is wholly owned by the Government of Canada and is under common control with other government agencies and departments, and Crown corporations. The Group had the following transactions with related parties in addition to those disclosed elsewhere in these consolidated financial statements:

(a) Government of Canada, its agencies and other Crown corporations (in millions)

	For the year ended December 31, 2024	For the year ended December 31, 2023
Related party revenue	**313**	302
Compensation payments for programs		
Government mail and mailing of materials for persons who are blind	**22**	22
Payments from related parties for premises leased from the Corporation	**6**	6
Related party expenditures	**12**	11

The majority of the related party revenue was for commercial contracts relating to postal services with the Government of Canada. As well, compensation was provided by the Government of Canada for parliamentary mail services and mailing of materials for persons who are blind sent free of postage (Note 2) (in millions):

	As at December 31, 2024	As at December 31, 2023
Due to/from related parties		
Included in trade and other receivables	**17**	19
Included in trade and other payables	**9**	18
Deferred revenue from related parties	**1**	1

For related party lease information, refer to Note 16 (a).

(b) Key management personnel compensation

Key management personnel (KMP) are defined as the Boards of Directors and members of the senior executive teams responsible for planning, controlling and directing the activities of the Group.

The remuneration of the KMP was as follows (in millions):

	For the year ended December 31, 2024	For the year ended December 31, 2023
Short-term employee benefits	**15**	14
Post-employment benefits	**1**	1
Total compensation	**16**	15

Compensation relating to the Board of Directors included in this table was $0.8 million (2023 – $0.8 million). There was no additional KMP remuneration relating to one-time termination benefits (2023 – nil). There were no transactions with KMP other than compensation.

(c) Transactions with entities in which the KMP of the Canada Post Group of Companies has control or joint control

In the normal course of business, the Group may interact with companies whose financial and operating policies are solely or jointly governed by the KMP of the Group. Affected KMP are required to recuse themselves from all discussions and decisions relating to transactions between the companies. The only significant transactions for the year ended December 31, 2024, were between Purolator and a company controlled by one of the Group's KMP, who is a director and also a minority shareholder of Purolator. This company provided air services to Purolator in the amount of $14 million (2023 – $15 million). These transactions had been made at prices and terms comparable to those given to other suppliers of Purolator.

(d) Transactions with the Corporation's pension plans

During the year, the Corporation provided administration services to the Canada Post Corporation Registered Pension Plan in the amount of $20 million (2023 – $15 million). As at December 31, 2024, $7 million (2023 – $11 million) relating to transactions with the Registered Pension Plan was outstanding and included in trade and other receivables.

Cash payments, including contributions to the defined benefit plans and defined contribution plans, are disclosed in Note 10 (i).

25. Segmented Information

Operating segments – The accounting policies of the operating segments are the same as those of the Group. Intersegment transactions have terms and conditions comparable to those offered in the marketplace. The results of consolidation entries, intersegment balance eliminations and the support functions provided by the information technology business unit, under a shared services agreement between Canada Post, Purolator and Innovapost (in effect until April 15, 2024) are presented separately below under Consolidation entries and eliminations. On a consolidated basis, no external customer's purchases account for more than 10% of total revenue.

For the year ended December 31, 2024, the IT business unit earned intersegment revenue of $103 million (2023 – $362 million), incurred cost of operations of $103 million (2023 – $362 million) and earned net profit of nil (2023 – nil).

For the year ended and as at December 31, 2024 (in millions)

	Canada Post	Purolator	SCI[1]	Consolidation entries and eliminations[2,3]	Total
Revenue from external customers	6,111	2,740	53	–	8,904
Intersegment revenue	31	16	6	(53)	–
Revenue from operations	6,142	2,756	59	(53)	8,904
Labour and employee benefits	4,820	1,233	27	40	6,120
Other operating costs	2,238	1,098	22	(97)	3,261
Depreciation and amortization	371	138	9	(8)	510
Cost of operations	7,429	2,469	58	(65)	9,891
Profit (loss) from operations	(1,287)	287	1	12	(987)
Gain on sale of disposal groups held for sale, investment and other income	527	28	–	(130)	425
Finance costs and other expense	(81)	(21)	(1)	–	(103)
Profit (loss) before tax	(841)	294	–	(118)	(665)
Tax (recovery) expense	(349)	74	–	29	(246)
Net profit (loss)	(492)	220	–	(147)	(419)
Total assets	10,473	2,656	–	(223)	12,906
Cash payments for capital assets	283	302	–	3	588
Total liabilities	6,646	1,148	–	12	7,806

1. Results for SCI were consolidated through March 1, 2024, the date of divestiture when control was transferred to the acquirer.
2. Results for Innovapost were consolidated through April 15, 2024, the date of divestiture when control was transferred to the acquirer.
3. Intercompany dividends are eliminated on consolidation.

For the year ended and as at December 31, 2023 (in millions)

	Canada Post	Purolator	SCI	Consolidation entries and eliminations	Total
Revenue from external customers	6,855	2,611	320	–	9,786
Intersegment revenue	87	42	34	(163)	–
Revenue from operations	6,942	2,653	354	(163)	9,786
Labour and employee benefits	4,889	1,153	152	120	6,314
Other operating costs	2,545	1,096	135	(287)	3,489
Depreciation and amortization	353	108	49	4	514
Cost of operations	7,787	2,357	336	(163)	10,317
Profit (loss) from operations	(845)	296	18	–	(531)
Investment and other income	162	17	4	(88)	95
Finance costs and other expense	(65)	(20)	(8)	–	(93)
Profit (loss) before tax	(748)	293	14	(88)	(529)
Tax expense (recovery)	25	79	4	–	108
Net profit (loss)	(773)	214	10	(88)	(637)
Total assets	10,181	2,235	418	(317)	12,517
Cash payments for capital assets	465	204	13	–	682
Total liabilities	6,747	944	275	(23)	7,943

26. Events After the Reporting Period

Purolator business combination

On January 31, 2025, Purolator Holdings Ltd. acquired 100% of the shares of PE Longitude Holding Limited, PE Longitude II Limited, and Longitude Holding Limited (the "acquirees"). The acquirees operate under the Livingston International Brand, an international trade-services firm, specializing in customs brokerage, global freight forwarding and trade consulting headquartered in Toronto, Ontario, Canada.

The acquired entity will become a wholly owned subsidiary of Purolator and will operate as a standalone business led by its existing leadership team managing its day-to-day operations. The acquisition is in support of Purolator's strategy to expand its international capabilities, enhance competitiveness and position Purolator as a Canadian-owned leader in the domestic and international freight, package and logistics market.

The $990 million purchase was adjusted downwards by a target working capital differential of $27 million and executed through a combination of cash term loan ($600 million), a revolving line of credit ($256 million) and assumed indebtedness and deductions ($107 million). The business combination will be accounted for using the acquisition method with further details provided in the interim condensed consolidated financial statements for the 13 weeks ended March 29, 2025. The purchase price allocation is to be finalized after a due diligence period.

Government funding

In accordance with section 31 of the *Canada Post Corporation Act*, Canada Post applied to receive amounts required to enable it to meet its operating and income charges, which are not sufficiently covered by its expected available revenues during the 2025-26 Government of Canada fiscal year ending March 31, 2026. Governor in Council approval for the Corporation to access up to $1.034 billion was received January 31, 2025. On March 23, 2025, a general election was called. While the Corporation has not yet received parliamentary approval for these required amounts, it can seek approval for funding under Governor General Special Warrants. Once final approval is received, all amounts placed at the disposal of the Corporation pursuant to section 31 are to be reimbursed to the Minister of Finance from the annual revenues of the Corporation in so far as such revenues are sufficient. This funding will be critical for the Corporation to manage liquidity risks. Refer to Note 4 (a.1) for how the status of funding impacts the Corporation's going concern assessment.

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For more information, visit **Canada Post website**.

Read the full 2024 Annual Report at **canadapost.ca/annual_report**.

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