

ANNUAL
REPORT
2012

Redefining our role in the new economy



Understanding the Financial Results	i
The Canada Post Group of Companies:	
By the Numbers	ii
President's Message	2
The Year in Review: 2012	4
Growth Opportunities	6
Our Physical Delivery Network	8
Our Digital Delivery Network	10
Canada Post Group of Companies	12
Chairman's Message	13
Board of Directors	14
Officers of the Corporation	14
Corporate Governance	15
Ombudsman's Message	16
Corporate Social Responsibility	17
Canadian Postal Service Charter	18
Canadian Postal Service Charter	19
Compliance 2012	
Our Size and Scope	I

Understanding the Financial Results

	GROUP OF COMPANIES	CANADA POST SEGMENT
In 2012, the Canada Post Group of Companies had a before-tax profit of \$127 million. The core Canada Post segment had a before-tax ¹ profit of \$98 million.	\$127M	\$98M
The Canada Post segment profit was created by non-recurring, non-cash adjustments worth roughly \$152 million.	\$152M	
The non-cash adjustments are largely due to reductions in sick leave and post-retirement health benefits in the new collective agreements signed with the Canadian Union of Postal Workers on December 21, 2012.		
In a year marked by a historic decline in Lettermail volumes, the Group of Companies would have had a loss of \$25 million and the Canada Post segment would have had a loss of \$54 million if not for these non-cash, non-recurring adjustments.	-\$25M	-\$54M
The Group of Companies reported a loss in 2011, essentially due to the performance of the Canada Post segment. The Group expects to incur a substantial loss again in 2013. In fact, an accounting profit alone is not a sign that Canada Post can afford to conduct business as usual.		

1. All subsequent references to profit or loss on this page are before tax.

The Canada Post Group of Companies: By the Numbers

(in millions of dollars)

	2012	2011	% Change ¹
Operations			
Revenue from operations	7,529	7,484	0.2 %
Profit (loss) from operations	131	(226)	–
Operating profit margin (%)	1.7 %	(3.0)%	–

Profit (loss) before tax	127	(253)	–
Net profit (loss)	94	(188)	–

Cash provided by operating activities	310	196	58.8 %
Cash used in capital expenditures	575	540	6.5 %

Financial position

Cash and marketable securities	868	1,113	(22.0)%
Total assets	7,018	6,744	4.1 %
Loans and borrowings	1,143	1,127	1.4 %
Equity of Canada	(2,668)	(1,655)	(61.2)%

Volume

Total volume – Consolidated (millions)	9,755	10,101	(3.8)%
Domestic Lettermail™ erosion (Canada Post segment)	6.4 %	3.6 %	–
Transaction Mail volume percentage decline per address	7.0 %	4.6 %	–

Canada Post Corporation Registered Pension Plan

Pension assets – fair market value	16,780	15,427	8.8 %
Going concern deficit – to be funded ²	37	404	(90.8)%
Solvency deficit – to be funded ²	5,883	4,689	25.5 %
Employer contributions – current	308	291	5.7 %
Employer contributions – special	63	219	(71.1)%

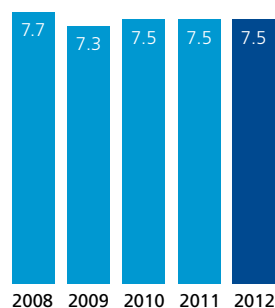
1. Adjusted for trading days, where applicable.

2. Number for 2012 is an estimate.

The Canada Post Group of Companies

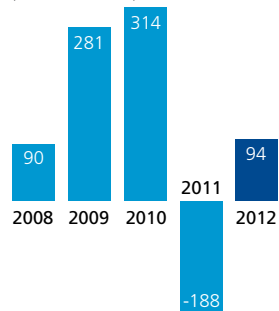
Revenue from operations

(in billions of dollars)



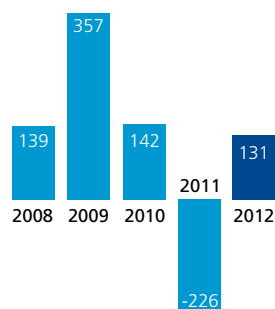
Net profit (loss)*

(in millions of dollars)



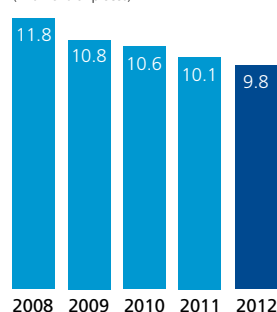
Profit (loss) from operations*

(in millions of dollars)



Volume

(in billions of pieces)



* 2008 to 2009 is based on previous Canadian generally accepted accounting principles.
2010 to 2012 is based on International Financial Reporting Standards.

"Canada Post" and "the Canada Post segment" do not include subsidiaries.
"The Canada Post Group of Companies" and "the Group of Companies" include the Canada Post segment and its principal subsidiaries, which are Purolator Inc., SCI Group Inc. and Innovapost Inc.

President's Message

Canada Post finds itself at a pivotal moment in its storied history. After successfully adjusting to fax machines, email, and dial-up then broadband Internet, the combination of fast Internet and smart tablets has shaken the mail business at its core. For the first time in modern history, paper-based communication has a credible alternative. This is a seismic change. Our Transaction Mail volumes have declined 23.6 per cent per household since 2008 and this decline has accelerated in 2012.

This is a new phase in our journey. The value of our exclusive privilege to deliver mail has essentially evaporated; it cannot give us stability or sustain us as it once did. Now we must manage our business as a true commercial enterprise that competes in every product line. Even the Direct Marketing business is facing digital rivals that use mobile and smart technologies, and our Parcels business operates in a highly competitive environment. On the cost side, we carry an unprecedented level of pension solvency deficit caused by a prolonged period of low interest rates and volatile investment returns. Together, these two forces – competition and cost – are creating a perfect storm. We must fundamentally rethink our business.

We are listening carefully as Canadians and Canadian businesses tell us about their changing needs. We must reshape our business to stay relevant.



While challenging, this new reality offers us ample opportunity to redefine our role and stay relevant in the digital economy. Electronic commerce is boosting our Parcels business. Canadians want a trusted brand to deliver their digital bills and statements. This demand and a renewed focus on data-centric permission marketing are creating new growth anchors. That is why we are embarking on the most ambitious makeover in our 250-year history.

Laying the foundation

For the past few years, we have been working hard to fix our operations. We have streamlined mail processing and made delivery more efficient. Delivery agents equipped with a vehicle can deliver both parcels and mail, which is more efficient and improves service. We have invested in scanning technologies that allow Canadians to track their parcels along the delivery chain. Our digital platforms offer 24/7 parcel tracking, postal rates and postal code lookups, redirection of mail and much more.

We also reached a shared understanding with our employees about the threats facing our business. As a result, we reached a historic agreement with the

Canadian Union of Postal Workers (CUPW), which will allow Canada Post to bring in new employees at a significantly lower wage and benefits package and create greater operational flexibility to serve Canadians. While this was a step in the right direction, we must continue to find opportunities to create a more competitive cost base.

This new shared understanding paves the way for our employees to become more focused on serving customers. It also offers our customers greater stability as they entrust us with multi-year commitments to deliver their products and mailings.

Understanding the emerging needs of Canadians

Canadians are telling us all the time that their needs are changing. More Canadians are using mobile devices, receiving and paying bills electronically and transacting online for many services. With between 8 and 12 million visits to canadapost.ca each month, they are also connecting with the post office digitally. But they still expect secure and reliable delivery of their online purchases, credit cards, loyalty cards, identification cards, government documents and other essential mail. People still enjoy the delivery of their

favourite magazine, relevant promotional offers and catalogues in their mailbox. Canadians in northern and rural communities have an even greater dependence on postal services.

Small businesses are setting up online stores, using direct mail and digital means to promote themselves and to conduct business. They also expect low-cost and reliable parcel services to meet their need to ship products ordered online. The products that make them successful, such as direct mail and parcels, must remain competitively priced.

Large businesses expect a very high level of service from Canada Post. Even as they pursue digital strategies to connect with customers, they tell us that both Transaction Mail and Direct Marketing mail are critical to their success. Large retailers tell us that our direct mail and parcel offerings must remain competitive, and that our delivery reach and retail network offer them crucial advantages as they sell more products online.

We are listening carefully as Canadians and Canadian businesses tell us about their changing needs. We must reshape our business to stay relevant. Continuing to provide services people no longer need or use would simply mean fewer Canadians would bear the burden of paying more for less-relevant postal services.

Reshaping the business

The journey to reshape our future is rooted in understanding our customers. Insights from conversations with Canadians who receive mail and packages and from customers who send them are defining our strategic choices. These insights have already led to the restructuring of our business into two distinct networks. The first, our Physical Delivery Network, is transforming our legacy mail business into Canada's favourite home delivery network for packages, direct mail and essential Transaction Mail that will remain part of our business. The second, our Digital

Delivery Network, is creating the next-generation electronic mail delivery network that will offer Canadians a consolidated view of all bills and statements in one place. Just as we have delivered all mail to a mailbox at home, it is essential that we offer a neutral and trusted platform for Canadians to receive all of their e-bills and e-statements in one epost™ box. This business is also responsible for running an online digital post office that delivers as many services as a retail post office.

Matching service delivery and network to future needs

The enormity of our challenges warrants a bold look at our business model. We are generating significant savings from modernizing operations, and will continue to do so. But these savings will not be enough to offset the loss in revenues as mail volumes decline, or to address our pension costs. We need fundamental changes to our network and delivery model.

We are already designing the network of the future. It will greatly shift our focus to serving parcel and marketing mail needs, to respond to the explosion in e-commerce and digital delivery of bills and statements. The change will not occur overnight, and it will require us to be thoughtful. We see this as the decade of duality: the needs of the digital and physical markets will warrant equal attention.

Customer experience will be the key to our success

When you enjoy a form of monopoly, as we did for decades with letters, you sometimes take your customers for granted. We simply cannot afford to take that risk anymore. One essential pillar in our future strategy is a relentless focus on delivering a world-class customer experience. We have begun to review all of the policies and procedures that were established under a different era and often led to customer irritants. The new Canada Post must, by design, be customer-centric. Each operational

One essential pillar in our future strategy is a relentless focus on delivering a world-class customer experience.

decision must take into account the customer experience. This journey has begun in earnest.

Our pursuit of economic viability

We have tackled major challenges in the past. Extensive financial losses in the 1970s and 1980s led to fundamental changes in our retail and delivery networks. Today's situation warrants a sense of urgency before it leads to similar financial outcomes. We must act with vision and decisiveness to reshape our business ahead of the threats we face.

Some of the changes needed to rebuild our economic viability will be difficult and take time. Still, our efforts thus far leave us confident that, with enough fundamental changes, we can transition our business without becoming a burden on taxpayers. This remains a fundamental guiding principle for us as we build a vibrant, relevant and successful Canada Post for the future.



Deepak Chopra
President and Chief Executive Officer

The Year in Review: 2012

The mail that built Canada Post is eroding like never before

Canada Post's core business has been the delivery of letters, bills, invoices, notices and statements. This mail built our network and workforce. This mail is our foundation – and our foundation is eroding.

Volumes of domestic Lettermail began to decline slightly in 2007. In 2009, the decline picked up speed. In 2012, the decline accelerated like never before. Canadians and Canadian businesses mailed almost one billion fewer Lettermail pieces in 2012 than they did in 2006. And, almost 30 per cent of that nearly one-billion drop occurred in 2012 alone. What does this decline look like on a typical workday?

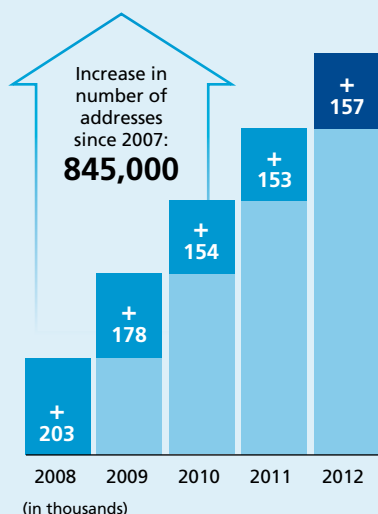
In 2012, we had nearly 1.1 million fewer pieces of domestic Lettermail in our system per business day than the year before; 1.7 million fewer pieces than two years ago, and 3.7 million fewer pieces than 2006, the year before the decline began.

Volumes are falling faster than ever. Nobody expects them to rebound. Mail will be with us for many years to come, but nobody knows how far or how fast volumes will drop. That is Canada Post's starkest challenge.

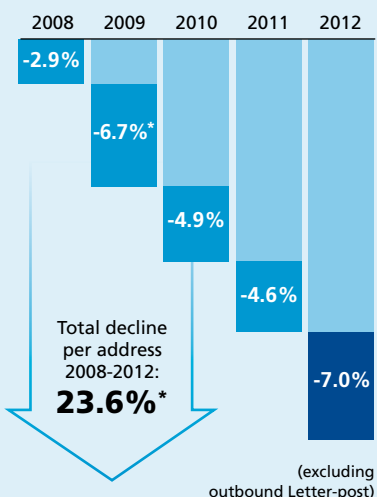


Transaction Mail decline per address

The number of addresses to which we deliver **grows** steadily each year...



...while the number of pieces of mail we deliver to each address is **decreasing** dramatically each year.



Domestic Lettermail's decline: Picking up speed in 2012

In 2006, we delivered roughly **five billion** pieces of domestic Lettermail.

That number has dropped to roughly **four billion** pieces, and about 30 per cent of that decline was in 2012 alone.

In 2012, we delivered roughly
255 million
fewer pieces of domestic Lettermail than we did in 2011.

* Note: Due to a methodology change implemented in 2010, volumes for 2009 have been restated for comparability. Had 2008 volumes been restated, the decline per point of call for 2009 would have been 5.1% and the five-year decline would have been 22.3%.

Improved service marked 2012

Canada Post set ambitious targets for improving service to customers in 2012 – and meeting those targets was a major focus. As a result, Canada Post established on-time delivery performance records for some products and exceeded targets for most others. Customers are also benefiting from scanning and tracking improvements that allow them to see where a barcoded parcel is at more stages of its journey from origin to destination.

More efficient call centre operations improved the customer experience in 2012. We recorded better first-call resolution rates, wait times and overall resolution, and have more improvements on the horizon as online self-service options build momentum.

Our ongoing investments in automated equipment position us to offer an improved customer experience for years to come.



The signing of historic collective agreements

On December 21, 2012, Canada Post and its largest union, the Canadian Union of Postal Workers (CUPW), signed new collective agreements. In addition to guaranteeing customers three years of uninterrupted service, the agreements reduce labour costs significantly. For this reason, they mark a crucial turning point in our history of collective bargaining with CUPW. Our employees have arrived at a shared understanding of how serious our challenges are as mail volumes decline. Among other things, the agreements mean lower starting wages for new hires and eliminate the previous sick leave provisions for CUPW, which was the last group of employees to fall under a more affordable Short-Term Disability Program. The savings

are significant but do not solve all our challenges. Canada Post must do much more to reduce its labour costs, which are more than 69 per cent of our operating costs.

Investments that drive performance

Canada Post is continuing to modernize operations, and this transformation is on track. It is strengthening our ability to grow our Parcels business by offering us greater capacity and capability and it will help make our Lettermail business as efficient as possible as volumes decline.

New high-speed Lettermail sorting machines and automated parcel and packet equipment are having a tremendous impact. Our Lettermail sorting machines give delivery personnel mail that is pre-sorted to their line of travel on their routes. This investment, combined with the provision of delivery vehicles and redesigning of routes to maximize efficiency, has resulted in labour cost reductions in affected depots.

In 2012, Operations teams also made major gains in productivity and in reducing the rate of lost-time injuries.



Digital products for a digital economy

How does a 250-year-old company respond to a digital revolution? In part, by recognizing the growth opportunity that digital offers – and doggedly pursuing it. We're adding digital value to our existing business and creating new

services for tech-savvy customers. Last year, we registered more than 800,000 new epost™ accounts, and released our next generation of Canada's leading bill-consolidation service. We also added epost™ to our mobile app. It's one of 52 updates since we launched the popular app in 2010.

We're also offering more unique solutions to marketers that leverage the power of addressing and third-party data. The digital post office, **canadapost.ca**, is providing 24/7 access to postal services.

Our digital products are generating revenue, respecting Canadians' privacy, and helping Canada Post build new relevancy in the digital economy – a true recipe for growth.

Growth Opportunities

A new approach to Direct Marketing

Direct Marketing mail is a proven, cost-effective way to get advertising messages into the hands of customers – and to target the most receptive prospects. Direct Marketing mail faces strong competition from other channels, particularly online, but remains a valuable ingredient in a multi-channel marketing mix.

An effective advertising channel

Today's consumers are bombarded with advertisements and don't want to receive material they do not find relevant. A message that reaches the right person is more likely to generate a response. Consumers can read or refer back to a Direct Marketing mail piece whenever it's convenient, and many Canadians consider it to be the most effective advertising channel compared to digital. In a survey conducted by Harris/Decima in December 2012, close to two-thirds of consumers said they had made a purchase as a result of something they received in the mail.

Working with our customers

To improve the effectiveness of customers' Direct Marketing mail campaigns, we continue to build on our unique portfolio of data and targeting solutions. In 2012, we introduced Precision Targeter™, a simple online tool that can help small and medium-sized businesses to budget, plan and create a Direct Marketing mail campaign. The tool generated new business all year. In 2013, we will continue to simplify the use of Direct Marketing mail and make it more accessible to small businesses through a network of Canada Post recognized industry partners.

Expanding our market opportunities

We continue to expand the use of Direct Marketing mail in new markets and have created a series of tools to help advertising agencies better understand the power of Direct Marketing mail. Canada Post's dedicated team of expert Direct Marketing mail advisors can help agencies discover what makes Direct Marketing mail work in a cross-media environment and how to create the results their clients want and expect.



Direct Marketing: Customer successes

Staples.ca



To win customer loyalty and maximize revenue, Staples.ca sends Direct Marketing mail flyers and emails to active business customers every two weeks. Sending a Direct Marketing mail flyer as well as an email to customers drove response rates and revenues much higher than sending emails alone.

"Response rates from customers who received a flyer and an email were six times higher than from those who received only an email. Sales were also considerably higher."

Dwayne McMulkin, Marketing Manager, Staples.ca.

Canadian Opera Company



The Canadian Opera Company used Direct Marketing mail supported by introductory and reminder emails, and a three-week telemarketing campaign to market an upcoming production of *Tosca* to existing customers. The campaign helped the company achieve its second-highest volume of single tickets sold in its 62-year history.

"Direct mail seems to have a longer lasting effect than email. By using email as well as direct mail, we're able to reinforce our message and connect with a wider audience – and achieve an impressive return on our investment."

Phil Stephens, Senior Manager, Sales and Customer Service, Canadian Opera Company

Canada's home delivery company™

Canada Post is the country's undisputed leader in business-to-consumer delivery of parcels. It has earned this leadership by focusing on the customer experience. Through its unparalleled reach to every part of Canada and options for delivery at home, to a community mail and parcel box or simply to a nearby postal outlet, Canada Post offers the most convenient customer experience in the country.

E-commerce rising

Canada's online consumer spending is only 4 per cent of total retail sales. That is significantly lower than in the U.S., but Canadians are rapidly catching up and Canada Post is helping them. The world's largest e-commerce shopping platforms include eBay. In Canada, eBay is powered by the Canada Post shipping engine, making it seamless for sellers and buyers to track their shipments. Canada Post's technology is easy for businesses of all sizes to integrate with their online stores and reduce their customer service calls. Through its investments in cutting-edge GPS tracking capability, Canada Post is leading the way as a partner of choice for e-commerce.



New investments

Canada Post is building a 700,000-square-foot processing plant in Vancouver to handle e-commerce shipments from the Pacific Rim. Its Web Services enable businesses to offer convenient features, such as delivery of packages directly to a post office. In 2012, the Canada Post E-commerce Innovation Awards™ were launched to celebrate Canada's most talented online retailers. The industry saw this as a natural extension of Canada Post's role in e-commerce.

Looking ahead

Leadership comes with responsibility. In this fast-changing digital economy, it is imperative that Canada Post stays ahead in providing the most convenient customer experience. In the world of virtual stores, the delivery experience will define the brands of e-tailers. People get excited when they open a package. Canada Post understands this "mail moment" like no one else – and that will be the key to its success.



Parcels: Customer successes

Laura Canada



With Canada Post's delivery data integrated into Laura Canada's online checkout, customers of the women's apparel retailer see a range of convenient options. Laura was the first retailer to use our Deliver to Post Office service, enabling customers to choose to pick up their orders at a nearby post office. Soon 10 per cent of orders were using this option.

"Today's busy modern women need convenience and the ability to choose not only what they want but where to receive it. Giving them options completes their online experience."

Sam Barnes, E-commerce Director, Laura Canada

MEC



Adventure outfitter Mountain Equipment Co-op won the Large Multi-channel Retailer of the Year at the Canada Post E-commerce Innovation Awards. At its Store of the Future in Vancouver, iPad™ tablets and large-screen TVs bring MEC's research-rich online site onto the floor. In that way and others, MEC is seamlessly blending bricks-and-mortar with online retailing.

"There are a lot of great e-commerce retailers, but there could be more. These awards raise awareness of e-commerce in the Canadian retail space – and make it seem more approachable for companies."

Dale Tournemille, Web Manager, Mountain Equipment Co-op

Our Physical Delivery Network



Physical mail has long defined Canada Post. Now, as the digital world increasingly affects our daily lives, it represents not only our greatest challenge – because of the sharp decline in Transaction Mail volumes – but also our greatest opportunity to grow, as e-commerce drives our parcels volume higher.

In 2012, we achieved solid service performance across the board. We also met important targets for growing our parcels volume, for executing our modernization program and for containing costs.

We must build on this progress and continue to improve upon operational excellence as our transformation gains momentum.

Everything we do – from improving service to investing in new technology – is done with our customers in mind.

Service performance

Canada Post had its best year for service in 2012 for several products. We achieved the best combined service on record for domestic parcels shipped through Expedited Parcel™ and Xpresspost™. Our cross-border delivery service also dramatically improved. For Lettermail, we were above target for on-time delivery performance.

We also achieved milestones in 2012 by delivering one million parcels on a single day – which we did twice.

Key investments

We invested heavily in automated parcel and packet equipment to prepare for a future with more parcels. These investments will continue at an ambitious pace in 2013 and help us keep costs down, while improving service. They are a platform for consistent improvement for years to come.

Additional scanning and tracking capabilities, launched in 2012 as part of a three-year program, allow customers to track the progress of their barcoded package through more of its journey through the postal system.

Nearly 140 high-speed Lettermail sorting machines are now in use in 14 cities. A total of 21 automated flat sorting machines are also in use in eight cities. Operating these high-speed assets at capacity helps ensure faster delivery times, improve delivery accuracy and increase security of our customers' mail.



Restructure of routes and motorization

We have launched the new delivery model in 13 cities. This new model reduces the number of trips several employees would make to serve a neighbourhood in a given day, by enabling a single motorized employee to perform several roles. One in every three letters was distributed through the new model in 2012. We added more than 2,100 fuel-efficient, environmentally friendly Ford Transit Connect™ vehicles to our fleet, while simultaneously reducing the number of older, less efficient vehicles and also reducing our reliance on taxis and contractor vehicles.

We restructured more than 6,500 routes in 2012, which led to more efficient service to about four million addresses across Canada. Restructures help us adapt to declining volumes by adjusting the number of addresses served by each delivery agent.



Modernization

In 2012, our multi-year modernization program surpassed both its annual savings target and overall program targets. Strict cost containment allowed us to reduce the hours worked in mail operations by 3.4 per cent compared to 2011.

Productivity

We made network changes in 2012 to increase productivity and maximize the use of more efficient equipment and transportation services.

We centralized our Undeliverable Mail Office and shifted weekend mail processing to larger cities from smaller regions.

Call centre improvements

We improved the call centre experience in 2012. Wait times, first-call resolution, and overall resolution times improved as a result of a new Customer Relationship Management system and better training for service agents.

More improvements are expected as customers move toward more self-service through the Canada Post website, rather than calling service agents.

Safety

Our workplace was safer in 2012. We decreased our lost-time injury frequency by 12 per cent from the previous year and recorded our best year for injury frequency since 1983.*

This achievement is a credit to diligence on the job by employees and our team leaders, use of ergonomically friendly equipment and processes as we modernize, a strong depot restructure change-management program and targeted interventions in facilities that had more frequent challenges.

We also continued to reduce any risks to safety within our infrastructure by installing additional machine guarding and emphasizing safe work practices.

*Rural and Suburban Mail Carriers were not included in calculations until 2010.



Customer experience

Service performance and cost competitiveness are essential for any business. The key difference is customer experience. We continue to review and modify our policies, processes and means of execution at every customer touchpoint to ensure that we not only maintain, but also build upon, our market-leadership position.

Security of the mail

Our customers deserve to know their mail is secure and private at all times. During 2012, our Security and Investigations team deployed various processes and technologies to identify internal and external security threats.

“To compete, we must excel at everything we do: on-time delivery, the customer experience, technology and safety. We intend to build on the progress we made in 2012.”

Jacques Côté, Group President, Physical Delivery Network



Our Digital Delivery Network

As more Canadians turn to smartphones and tablets to better organize their lives, they're seeing the difference our digital solutions can make. Convenience, flexibility, control: our products are designed to give customers what they value most.

Take our consumer offerings, for instance. For 250 years we've delivered packages, and now people can track their progress and confirm their delivery on their mobile devices, using our popular app. When it comes to bills, we offer customers a way to manage them online with epost™, our digital mailbox. Shipping labels? Buy and print them from the comfort of home. We've even added value to stamps by allowing customers to customize their own.

Our digital products serve businesses of all sizes, too. Canada Post oversees the largest home delivery network in the country, so we know addresses and Canadians like nobody else. Our experts can convert that data into strategic insight and practical advice that companies can use to target their customers with precision – and gain a healthier return on their investment.

At Canada Post, we're not just meeting Canadians' digital expectations, we're also raising them. That's just what you'd expect from a key and credible player in the digital space.



epost™: Delivering value

Each month, more Canadians are deciding to take advantage of epost™ – by the end of 2012, 8.2 million Canadians had registered for our digital mailbox since its inception.

epost™ does more than deliver electronic copies of customers' bills. It also provides payment notification, personal folders to organize bills, and seven-year storage. Advanced security keeps personal data safe; and, because epost™ is connected to Canada's major banks, paying bills remains easy.

Last year, we deepened the value of epost™. Along with updating its design, navigation and features, we added more billers, including major utilities and financial institutions. We also connected our customers to more government services, such as property tax and water bills.

We believe epost™ will play a big part in the future of mail – and, with more than 100 billers signed on, it's already on its way.



“Canada Post is committed to creating relevant products that meet the increasing digital needs of Canadians – and help build our nation's digital economy.”

Kerry Munro, Group President, Digital Delivery Network

canadapost.ca: The 24/7 post office

Our online store was one of Canada Post's 2012 good news stories. Renewed efforts to market our postal products, such as stamps and prepaid envelopes, along with products showcasing our country and its history and achievements, contributed to a year-over-year sales increase of 36 per cent. Among the biggest hits was our newly launched Heritage brand line of apparel, decorated with historic postmarks and airmail themes.

canadapost.ca is also the country's online post office 24/7. Customers can pay for and print shipping labels for parcels, register a change of address, track a package, look up a postal code or access their epost™ account to manage bills.



Mobile app scores

By the end of last year, the Canada Post mobile app exceeded 800,000 downloads, establishing it as one of the top free business apps in Canada for 2012. And Canadians didn't just download it, they used it – a lot. They:

- tracked 15 million packages
- located a post office 1.2 million times
- looked up a postal code 850,000 times
- queried a postal rate seven million times.



In December, we raised the app's value even more by adding epost™ to it. Now Canadians on the go can use their smartphones to manage their bills and other important documents, 24/7.

Data: Helping businesses succeed with targeted messages

Companies large and small know they need to target prospects and reach existing customers to boost their bottom line. Data can help. Still, access to quality data isn't always enough. The ability to effectively use it – to process, interpret and apply it – is the real trick. Many businesses understand the value of data, but don't have the time or resources to effectively manage this critical asset.

Canada Post, as a leader in logistics, has the most complete and current view of addressing in Canada. Using this asset as our foundation, we add rich third-party data, sophisticated tools and talented data management experts to deliver solutions that help marketers achieve a higher return on their campaign investments. Our experts identify the best prospects for our direct mail customers and develop optimal targeting strategies based on factors such as location, demographics, and lifestyle. For customers with skilled resources, we offer various unique data licensing solutions that can be integrated directly into their campaign and business processes.

Delivering unique solutions, found exclusively at Canada Post, sets us apart. For example:

- **New Addresses:** a solution that helps businesses reach Canadians who have just moved into a new home – a key market considering research shows that 81 per cent of movers are willing to try new products and services.
- **Smart Data™ Cleaner:** a data-cleansing service that increases the accuracy of clients' customer and prospect lists for improved Addressed Admail™ mailings.
- **Precision Targeter:** an online self-serve solution that allows marketers to define their unique trade area and desired homes for Unaddressed Admail™ mailings.

Canada Post meets businesses' data needs at all stages of the Direct Marketing mail process. With Canada Post data solutions, now every Canadian business can leverage the power that address knowledge brings to marketing campaigns.



Canada Post Group of Companies

The Canada Post Group of Companies consists of Canada Post and its three non-wholly owned principal subsidiaries: Purolator Inc., SCI Group Inc., and Innovapost Inc. The vision for the Group of Companies is to be a service provider of choice that is relevant and responsive to the needs of Canadians now and in the future.

The subsidiaries deliver capabilities and market reach that enable the Group of Companies to deliver broader product and service offerings, and complete service solutions. For example, together Canada Post and Purolator Inc. offer a broad and complementary range of domestic and international parcel services for the business-to-business and business-to-consumer markets. The synergies between Canada Post and its subsidiaries create strategic value that forms an integral part of the Group of

Companies' future growth strategy and plans to increase cost effectiveness and efficiencies.

Combined, the Group of Companies has annual revenues of around \$7.5 billion, employs approximately 68,000 people, and operates almost 7,000 retail locations and more than 14,000 fleet vehicles.

Group of Companies' employees deliver close to 10 billion pieces of mail, parcels and messages each year to more than 15.3 million urban, rural and remote addresses across Canada.

A Crown corporation, Canada Post is the largest of the Group of Companies with revenues of \$5.9 billion in 2012.



As Canada's largest courier company, Purolator Inc. delivers reliability and service with an emphasis on customer experience and profitable growth. Purolator has 182 operations facilities, 132 retail shipping centres and more than 580 authorized shipping agents. This network moves 108 million pounds of air freight annually. In 2012, Purolator generated revenue of \$1.6 billion, which, after excluding intersegment revenue, represents about 20 per cent of the Group of Companies' consolidated revenue.



Through its operating entities SCI Logistics, Progistix Solutions and First Team Transport, the SCI Group offers expertise in business-to-consumer, business-to-business and field-service logistics. In 2012, the SCI Group generated revenue of \$162 million, which, after excluding intersegment revenue, represents two per cent of the Group of Companies' consolidated revenue.



In March 2012, the Group of Companies purchased CGI's 49-per-cent interest in Innovapost, increasing equity in the subsidiary to 98 per cent. The newly restructured Innovapost will continue to provide shared services in information technology to the Group of Companies and is an important part of the strategy to build increased business capabilities, reduce costs, drive efficiencies, improve service delivery and better align strategic direction within the Group of Companies.

Chairman's Message

It is a difficult and delicate balancing act to transform a business for the long term, while delivering on the high expectations of millions of customers each business day. In 2012, the management at Canada Post achieved this balance by continuing its transformation, while vastly improving service.

The Board is pleased with the progress made to improve service in 2012 and remains confident in the Corporation's transformational agenda. It is particularly important to note that the Corporation is not only managing mail volume declines, but is also identifying and focusing on new areas of growth to stay relevant in the digital economy. To achieve this, Canada Post is reducing operational, labour and other costs. At the same time Canada Post is focused on growing its Parcels, Digital and Direct Marketing mail businesses. This transformation is necessary in order to remain relevant to Canadians, while striving to return to financial self-sufficiency.

Delivering on service

Canada Post can excel at service. The Lettermail on-time delivery performance was above target. We achieved the best combined service on record for domestic parcels shipped through Expedited Parcel and Xpresspost. Our customers were pleased to see this turnaround after a difficult 2011, in which rotating strikes, a lockout and other issues undermined service. The year 2012 was the Year of Service.

The Board is pleased with the progress made to improve service in 2012 and remains confident in the Corporation's transformational agenda.



Modernization and our new delivery model supported this turnaround. Several initiatives helped to improve service and safety performance, while reducing costs. Among other things, we added more than 2,100 fuel-efficient Ford Transit Connect vehicles to our fleet, while retiring older, less efficient vehicles. This fleet renewal also better positions Canada Post for improved delivery of parcels.

I am happy to report that as a result of significant improvements by Canada Post to on-time delivery, security of the mail and online access to customer service, the Ombudsman received 29 per cent fewer appeals in 2012.

Striking the right balance

Despite the progress on service in 2012, the Corporation's financial sustainability continues to be a primary concern of the Board of Directors and management. Our operating results continue to be negatively impacted as a result of the accelerating and unprecedented decline in the volumes of Transaction Mail, our single most important source of revenue. This volume erosion and our growing pension obligation underscore the urgent need for fundamental change at Canada Post.

The Board of Directors is committed to Canada Post's successful transformation,

which must achieve both improved service and financial sustainability. In transforming Canada Post, the Board and senior management will honour our public policy obligations, including the provision of postal services to rural regions of the country. The Board and senior management are aligned on the Corporation's goals and strategies.

At the Board level, Denyse Chicoyne retired from the Board in 2012. She had chaired the Pension Committee and was an exemplary director during her tenure. I would like to welcome Alain Sans Cartier and Andrew Paterson to the Board. Both were nominated for a four-year term.

On behalf of the Board, I would also like to thank President and CEO Deepak Chopra and the executive team for their strong leadership, as well as the employees of Canada Post for their dedication in 2012. Most importantly, I would like to thank Canadians for continuing to choose Canada Post.

A handwritten signature in dark ink, reading "Marc Courtois".

Marc A. Courtois
Chairman of the Board of Directors

Board of Directors



Marc A. Courtois ▲✱●★

Westmount, Quebec
Chairman of the Board
Canada Post Corporation



Deepak Chopra

Ottawa, Ontario
President and CEO
Canada Post Corporation



Alain Sans Cartier ▲★

L'Ancienne-Lorette, Quebec



Thomas Cryer ■★

FCA
Etobicoke, Ontario



A. Michel Lavigne ▲▶

FCA
Laval, Quebec



Siân M. Matthews ✱●

Calgary, Alberta



**The Honourable
Stewart McInnes** ✱●

Q.C.
Halifax, Nova Scotia



Andrew B. Paterson ▲●

Winnipeg, Manitoba



Iris Petten ✱●

Conception Bay South,
Newfoundland and Labrador



William H. Sheffield ☆★

Vancouver, British Columbia



Donald Woodley ◆●

Mono, Ontario

- Chairperson of the Audit Committee
- ◆ Chairperson of the Corporate Governance and Nominating Committee
- ☆ Chairperson of the Human Resources and Compensation Committee
- ▶ Chairperson of the Pension Committee
- ▲ Member of the Audit Committee
- ✱ Member of the Corporate Governance and Nominating Committee
- Member of the Human Resources and Compensation Committee
- ★ Member of the Pension Committee

As of March 15, 2013

Officers of the Corporation

President and CEO

Deepak Chopra

Group presidents

Jacques Côté
Physical Delivery Network

Kerry Munro
Digital Delivery Network

Senior vice-presidents

Wayne Cheeseman
Chief Financial Officer

Douglas Jones
Delivery and Customer
Experience

Stéphane Dubreuil
Strategy and
Corporate Marketing

Mary Traversy
Mail

René Desmarais
Parcels

André Turgeon
Chief Information
Technology Officer

Cal Hart
Processing, Engineering
and Infrastructure

Vacant
Chief Human
Resources Officer

Vice-presidents

Bonnie Boretsky
General Counsel and
Corporate Secretary

Douglas Greaves
Pension Fund and
Chief Investment Officer

Susan Margles
Government Relations
and Policy

Murray Dea
Real Estate

William Gunton
Marketing

Serge Pitre
Sales

Stephen Edmondson
Customer Relations

Ann Therese MacEachern
Human Resources

Jo-Anne Polak
Communications
and Public Affairs

John Farnand
Engineering and
Postal Transformation

Barbara MacKenzie
Finance and Comptroller

Brian Wilson
Mail Processing
and Network

Michael O'Bryan Corporate Auditor Steven Galezowski Corporate Treasurer

As of March 15, 2013

Corporate Governance

Role and composition of the Board

The role of the Board is explicitly supported by the statutory framework within which Canada Post operates (the *Canada Post Corporation Act* and the *Financial Administration Act*), the Corporation's bylaws, and its Statement of Board Values and Board Charter. The Board is responsible for overall guidance on the strategy, business plans and related affairs of Canada Post. It is responsible for overseeing Canada Post on behalf of the Shareholder. In carrying out its oversight role, the Board holds management accountable for business performance and achievement of Canada Post's other objectives. To fulfill these responsibilities, the Board is called upon to exercise judgment in the following general areas:

- the strategic direction and Corporate Plans of Canada Post;
- major contracts;
- safeguarding the resources of Canada Post;
- establishing and implementing processes for the recruitment of senior officers and Board members;
- monitoring corporate performance; and
- providing timely reports to the Shareholder.

The Board of Directors of Canada Post is comprised of 11 members, including Canada Post's President and Chief Executive Officer. All members of the Board and the President and Chief Executive Officer are Governor-in-Council appointees. As overseer of a commercial and self-sufficient enterprise with 2012 revenue of \$7.5 billion (for the Group of Companies), the Board must bring strong business judgment and valuable experience and insight in other fields to the stewardship of Canada Post. The Board meets on both pre-arranged meeting dates and at times as deemed necessary by the Chairman. In order to provide strong oversight for such a large,

complex and important company, the Board devotes approximately 25 to 30 days a year to its deliberations. In 2012, the Board met eight times. In addition, individual committees of the Board met a total of 18 times.

Independence of the Board

The position of the Chairman and that of the President and Chief Executive Officer are separate. In addition, the Board normally holds its meetings with the President and Chief Executive Officer as a member and the Group President – Physical Delivery Network as an invitee. Otherwise, the Board meets without the presence of management unless they are required for presentations or reports. At each meeting, the Board holds an in-camera session with independent directors only. The Audit Committee regularly meets in camera individually with Canada Post's external and internal auditors. Furthermore, the Board, its committees and individual directors may engage independent counsel and advisors upon request and at the discretion of the Board.

Committees of the Board

The Board has formed the following committees to help it fulfill its oversight responsibilities:

- The Audit Committee reviews financial information, which will be provided to Parliament and other stakeholders, the systems of corporate controls that management and the Board have established, the audit process and the risk management framework. It also assesses Canada Post's financial performance against its Corporate Plan.
- The Corporate Governance and Nominating Committee focuses on corporate governance, assesses corporate values and the elements that facilitate Board effectiveness, such as Board self-assessment, Committee structure and Terms of Reference. It also helps the Board determine the composition and structure of the Board

and recommends candidates for Board membership, Chairman, and President and Chief Executive Officer.

- The Human Resources and Compensation Committee reviews human resources and compensation matters, including the compensation of the President and Chief Executive Officer and other Corporate Officers, health and safety, recruitment, compensation and development, retention, significant human resource policies, and labour relations issues.
- The Pension Committee oversees the more than \$16-billion Canada Post Corporation Registered Pension Plan (the Plan), Plan matters, policies, liabilities and strategies, Canada Post's responsibilities as Plan sponsor, and its fiduciary responsibilities as Plan administrator. The Pension Committee regularly meets in camera with the Pension Risk Management Officer.

Board effectiveness

The Board regularly assesses its effectiveness and functioning through a self-assessment survey. The Board has created membership criteria that set out the skills and personal qualities expected of its members for use by the Government in appointing Board members. The compensation of the Board complies with the Remuneration Guidelines for Part-time Governor-in-Council Appointees in Crown Corporations issued by the Privy Council Office. An orientation process is established for new directors. As well, a process is in place to assess the ongoing development requirements of directors, and training opportunities are provided to continue to enhance the effectiveness of existing directors.

(continued on page 16)

Ombudsman's Message

(continued from page 15)

Fraud and error

Pursuant to recommendations issued by the Canadian Institute of Chartered Accountants, the Audit Committee fulfilled its responsibility to consider fraud and error in financial statements. Accordingly, the Audit Committee reports that it has reviewed and accepts the company's financial statements, the attached notes, the auditors' opinions and their assertions on independence.

Subsidiaries

A Governance Model for Canada Post's subsidiaries ensures consistent governance practices in companies where Canada Post holds a majority interest.

Governance in principle

The Board and management of Canada Post hold the view that sound governance practices that are dynamic in nature are the bedrock of a quality organization that builds value and is dedicated to its employees and customers. Corporate governance is an essential component of the fulfillment of Canada Post's public-policy and commercial mandates, and will contribute to ensuring that all Canadians continue to receive a universal and affordable national postal service.

As Canada Post's Ombudsman, I provide the final level of appeal for customers who feel the Corporation has not lived up to its service commitments. The Office of the Ombudsman is independent of Canada Post staff and management, and reports directly to the chairman of the Board of Directors. Investigations are fair and unbiased. The merits of each complaint are assessed and an equitable resolution is found. I also recommend potential service improvements and report on appeals under the *Canadian Postal Service Charter*.



In 2012, my office received 6,482 appeals, of which we investigated 2,720. Many appeals do not trigger an investigation because some customers appeal to the Ombudsman before allowing the Corporation to complete its review of their complaints. Other appeals are withdrawn or not investigated because customers are unable to provide sufficient information.

I personally oversee each investigation and approve every resolution. Outcomes can include steps to improve compliance to procedures, financial compensation or an explanation for denying an appeal. An overview of complaints and investigations in 2012 is included in our Annual Report, which is available at www.ombudsman.postescanadapost.ca.

As a result of significant improvements by Canada Post to on-time delivery, security of the mail and online access to customer service, my office received 29 per cent fewer appeals in 2012. Almost two-thirds of appeal resolutions required Canada Post to take corrective action. The remaining complaints were found to be without merit.

The most significant issues investigated in 2012 involved the loss or theft of goods or documents while in the postal system or immediately after delivery. I issued five recommendations to Canada Post to reduce the number of cases and mitigate the effect on customers.

We received 1,780 appeals related to the *Canadian Postal Service Charter* in 2012, a 67-per-cent decline from 2011. We investigated 909 appeals around the expectation that "Canada Post will provide an extensive network for accessing postal services," a 78-per-cent reduction from 2011. The reduction was due to improvements Canada Post made to its customer service call centre and website. In 2012, we investigated 37 per cent fewer cases regarding security and privacy of the mail than in 2011.

A handwritten signature in black ink, appearing to be 'Francine Conn'.

Francine Conn
Ombudsman

Corporate Social Responsibility

In 2012, Canada Post continued to reflect values of Corporate Social Responsibility through various initiatives. Children's charities moved to the forefront of our social efforts and dedication to sustainable and environmentally friendly operations continued throughout the year at our facilities and with our fleet of vehicles.



COMMUNITY

- The year 2012 was one of transition for our national community efforts. The Canada Post Community Foundation's shift to focus on organizations that provide services aimed at youth was very successful in its first year.
- More than \$1.5 million was raised for the Foundation in 2012.
- Over the past five years, the Foundation has raised more than \$8.5 million for programs across the country, through retail drives, special stamp sales and other efforts.
- The Canada Post Foundation for Mental Health, in its final year of granting, distributed more than \$2 million in grants to 44 organizations across Canada.
- The annual Santa Letter-writing Program was operated by Canada Post volunteers again in 2012. In its 31st year, in excess of 1.35 million children received replies to their letters, bringing our all-time total to more than 21 million letters.



PEOPLE

- We again recognized the efforts of Aboriginal Canadians to improve their lives through education with the Canada Post Aboriginal Education Incentive Awards. Twenty-four individuals from coast to coast received the award.
- In 2012, Canada Post continued to enhance its safety culture and saw a reduction in the number and frequency of lost-time injuries.
- For the second consecutive year, more than 41,000 hours of driver training were provided in 2012. The amount of driver training provided in 2012 and 2011 is a significant improvement over previous years.



ENVIRONMENT

- More than 2,100 new fuel-efficient Ford Transit Connect vehicles were added to our fleet in 2012. Most were introduced to enable our modernization and the new delivery model.
- Although modernization has increased our vehicle fleet by 37 per cent from 2009, our fuel consumption and greenhouse gas emissions each declined by more than four per cent.
- Six buildings were registered for Leadership in Energy and Environmental Design (LEED™) certification in 2012, bringing our registered total to 28, which includes the upcoming Vancouver Mail Processing Plant.
- Three buildings received LEED certification in 2012, bringing our total to six LEED-certified facilities.
- LEED certification requires buildings to meet a variety of stringent criteria, including use of sustainable materials for construction, energy and water efficiency, and indoor environmental quality.

A more detailed report on our social and environmental performance will be available later in 2013 at canadapost.ca/csr.

Canadian Postal Service Charter

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

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.
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.
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.

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.
7. Canada Post will deliver to every address in Canada. This may be delivery to the door, a community mailbox, a group mailbox, a rural mailbox, a postal box, general delivery at the post office or delivery to a central point in apartment/office buildings.
8. Canada Post will deliver Lettermail:
 - Within a community within two business days;
 - Within a province within three business days; and
 - Between provinces within four business days.

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.
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.
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.

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.

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.
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.
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.

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.
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.

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 an overview of the delivery methods it uses in its annual report, indicating the number of addresses served with each delivery method and the financial costs associated with each method of delivery.

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.

Canadian Postal Service Charter Compliance 2012

Canada Post is committed to meeting the expectations of the *Canadian Postal Service Charter*. Our compliance for 2012 is summarized below.

Universal service

Canada Post delivered more than 9.6 billion pieces of mail, parcels and messages in 2012 to more than 15.3 million addresses in urban, rural and remote locations across Canada. In addition, Canada Post, through its membership in the Universal Postal Union, an alliance of 192 member countries around the world, provided inbound and outbound international postal services. Service to rural areas was provided through more than 3,800 rural retail outlets (approximately 60 per cent of all Canada Post retail outlets) and by more than 7,300 rural routes. Over 8 million Canadians are registered with epost™ – Canada Post's digital mailbox.

Affordable rates

Canada Post provides uniform postage rates for letters of similar size and weight, regardless of delivery distance or destination in Canada. For 2012, the company applied uniform rates of postage to the following categories of letters (see chart below).

The Corporation's Annual Cost Study provides costing data that serves as the basis for ensuring that Canada Post is not competing unfairly by cross subsidizing its competitive services with revenues from exclusive privilege services. The results of the 2012 Annual Cost Study are outlined on page 78.

On May 26, 2012, Canada Post published in the *Canada Gazette* a regulatory proposal to increase selected regulated postage rates, starting January 14, 2013. This was accompanied by a news release. Through these notifications, the Canadian public was invited to raise any concerns regarding the proposals with the Minister responsible for Canada Post. There were no representations from Canadians regarding the proposed changes. The Government granted final approval for the proposed rates on December 6, 2012.

Frequent and reliable delivery

Approximately 88 per cent of Canadian households received postal delivery services to their residences, apartment buildings, immediate neighbourhoods or rural roadside postal boxes through delivery agents, such as letter carriers or rural and suburban mail carriers. Of those addresses, 99.9 per cent received scheduled delivery five business days per week, subject only to unforeseen and temporary day-to-day exceptions. About 12 per cent of Canadian households (usually located in smaller rural communities) obtained their mail at local post offices or through postal boxes located in conveniently accessible lobbies of community post offices.

In 2012, Lettermail service performance levels returned to traditional levels compared to performance in the prior year. The on-time service performance for Lettermail delivery was 95.9 per cent in 2012 (compared to 91.2 per cent in 2011).

Convenient access to postal services

In 2012, postal service was provided in Canada through:

- almost 6,400 postal outlets;
- thousands of third-party retail locations authorized to sell postage stamps;
- approximately 200,000 collection points throughout Canada where postal items can be deposited (not including 739,000 rural mailboxes, which are also collection points);
- 24/7 access to **canadapost.ca** for online services, such as tracking a package or registering a change of address.

The retail network met its Charter standards as follows:

- 98.8 per cent of the Canadian population lived within 15 km of a postal outlet;
- 90.6 per cent lived within 5 km;
- 78.9 per cent lived within 2.5 km.

For 2012, there were 175 incidents affecting Canada Post personnel or infrastructure that had an impact on post offices covered by the rural moratorium. Ninety-five cases were resolved through staffing actions. In the remaining cases, after consultation with the affected communities and community leaders:

- 43 cases were resolved through provision of retail services at a nearby town, while maintaining delivery services in the existing community;
- 37 cases comprised temporary closures and re-openings.

Category		Postage rate
Standard (envelopes, cards, self-mailers)	0 to 30 g	\$0.61
	30 to 50 g	\$1.05
Medium (envelopes, cards, self-mailers)	0 to 20 g	\$1.05
	20 to 50 g	\$1.22
Other Lettermail (non-standard and oversize)	0 to 100 g	\$1.29
	100 to 200 g	\$2.10
	200 to 300 g	\$2.95
	300 to 400 g	\$3.40
	400 to 500 g	\$3.65

Reason for delivery method change	Number of addresses affected
Retail outlet change (e.g., change in retail location for general delivery services)	1,200
Delivery equipment upgrade (e.g., conversion from a group mailbox to a community mailbox receptacle)	17,000
Delivery safety reasons or municipal request (e.g., movement of location of mail delivery in rural areas as a result of a mandatory response to a safety review)	18,000
Other reasons	85

Secure delivery

Canada Post is committed to taking the measures necessary to protect the mail, recognizing that it holds a special position of trust and accountability for the mail it delivers on behalf of the Canadian public. The Security and Investigation Services group conducts its operations in accordance with the *Canada Post Corporation Act*, the Government Policy on Security, and other regulatory and legislative authorities with the primary objective of ensuring the appropriate protection of mail, people and assets.

The Security and Investigation Services group continues to work with local, provincial and national law enforcement agencies on various investigative strategies to protect the mail and prevent crimes related to identity theft.

In accordance with its obligations under the *Privacy Act*, Canada Post submits an annual report on its privacy practices to the federal government.

Community outreach and consultation

While Canada Post endeavours to maintain the existing method of delivery for the addresses it serves, circumstances may arise where changes are necessary, including improvements to equipment

and upgrades. For 2012, less than 0.3 per cent of 15.3 million addresses were affected by a change of delivery method (see chart above).

While Canada Post's corporate postal outlet network generally remains unchanged, operational issues may arise that impact the continued suitability of an existing location for postal retail services. In 2012, 42 urban offices (which are not subject to the moratorium) were considered for permanent closure, moves or amalgamations. In all cases, Canada Post consulted with affected customers and considered community input before implementing any proposed change. Customers were notified of proposals affecting their post offices through notifications posted within facilities which included solicitation for feedback. In many cases, Canada Post representatives met with community leaders and citizens affected by any proposed changes.

Ten of the 42 cases considered were pending completion of community consultation, final decision or implementation, as of December 31, 2012. Of the 32 cases that were resolved:

- 10 offices moved to another location;
- 19 offices closed;
- 3 offices remained at current locations.

Canada Post held its 7th Annual Public Meeting on August 21, 2012 in Ottawa, Ontario at Canada Post Place. A media advisory was released in advance of the event, and the meeting was advertised on the Canada Post website. Invitations were also sent to a number of stakeholders, including local and national customers, suppliers, association representatives, retail franchisers, bargaining agents, and others. Over 700 Canada Post employees and interested Canadians participated through a video webcast, while 280 attended in person, including Canada Post employees, executives, Board members, bargaining agents and association representatives.

Responding to complaints

In 2012, Canada Post completed the implementation of a new Customer Relationship Management system that provides improved issue tracking and incident root cause identification and increased standardization of call handling and problem management. Customer Service received 4.1 million customer calls in 2012 and 270,500 electronic customer inquiries through email, fax and online forms. These interactions related to requests for product information, tracing, claim submissions and general inquiries. The complaint-resolution process ensures that Canada Post has every opportunity to resolve customer complaints. However, in cases where Canada Post has completed its review of the complaint and the customer is not satisfied with the proposed solutions, the customer may appeal to the Canada Post Ombudsman.

The Ombudsman is the final appeal authority in the complaint-resolution process at Canada Post. The Ombudsman independently conducts investigations, questions parties involved in a dispute, determines whether Canada Post has adhered to its policies and procedures, and recommends equitable courses of action in an effort to resolve customer

complaints. More information can be found at the Ombudsman's website, available at the following address:
www.ombudsman.postescanadapost.ca.

Reporting on performance

An overview of the delivery methods by Canada Post and the estimated financial costs associated with each delivery method is presented in the chart at right.

Delivery method	Number of addresses*	% of total addresses	Average annual cost per address
Door-to-door	5,083,963	33%	\$283
Centralized point (e.g., apt. lobby lockbox)	3,797,444	25%	\$127
Group mailbox, community mailbox, kiosk	3,929,896	25%	\$108
Delivery facility (postal box, general delivery)	1,787,025	12%	\$59
Rural mailbox	739,411	5%	\$179
All methods	15,337,739	100%	\$168

* As at December 31, 2012

Other public-policy programs

In addition to its universal service obligation and core postal services, Canada Post also delivers certain public-policy programs on behalf of the Government of Canada.

Government Mail and materials for the blind

The *Canada Post Corporation Act* allows for mailing of letters free of charge between citizens and the Governor General, members of Parliament (MPs), the speakers of the Senate and House of Commons, the Parliamentary Librarian, and the Ethics Commissioner. Members of the House of Commons can also send up to four flyer mailings (through Canada Post's Unaddressed Admail service) free of charge to their constituents in any calendar year.

Canada Post also provides members of Parliament with a deeply discounted postage rate, unchanged since 1995, for Unaddressed Admail mailings over and above the four free mailings per year. In 2012, about 4.2 million letters were

mailed as Government Mail (excluding mail from constituents to parliamentarians) and MPs mailed more than 117 million Unaddressed Admail items. The Act also provides for free mailing of materials for the blind. Today, thousands of visually impaired Canadians and many libraries across the country, including that of the Canadian National Institute for the Blind, are able to send talking books and other materials free of charge throughout Canada and around the world. It is estimated that approximately two million shipments benefited from this program in 2012.

Despite a Government appropriation of \$22 million to help offset the financial impact of these programs on the company, Canada Post estimates that an additional \$6 million in foregone revenue¹ resulted from these programs in 2012.

Library Book Rate

The Library Book Rate allows public and academic libraries to move books between libraries as well as between libraries and library users who do not

have access to a public library due to geographic constraints or physical limitations. Canada Post's Library Book Rate allows these books to be shipped at significantly reduced postage rates. In 2012, there were approximately 747,000 shipments of books under the Library Book Rate, generating \$857,000 in revenue for Canada Post. The foregone revenue for Canada Post was estimated to be almost \$9 million for 2012. Unlike other public-policy programs delivered on behalf of the Government, Canada Post receives no appropriation or compensation of any kind from the Government to offset the discounted postage.

1. Foregone revenue is the difference between actual compensation and the amount Canada Post would have earned at normal levels of commercial compensation.

Our Size and Scope

EMPLOYEES



68,000

Canada Post Group of Companies, full-time and part-time paid employees; excludes temporary, casual and term employees (approximate figure)

FLEET



More than

9,600

Canada Post-owned vehicles

78 million

kilometres travelled in 2012

ADDRESSES SERVED



More than

15.3 million

RETAIL POST OFFICES AND STREET LETTER BOXES



Almost

6,400

retail post offices
across Canada

29,000

street letter boxes

MAIL AND PARCEL BOXES



7.7

million addresses

served by centralized, group or
community mail and parcel boxes

PLANTS AND DEPOTS



21

major mail
processing plants

500

letter carrier
depots

MOBILE APP



810,000

downloads of Canada Post's
mobile app since its launch
as of December 31, 2012 (approximate figure)

CANADAPOST.CA



More than

111 million

visits to canadapost.ca in 2012

EPOST™ DIGITAL MAILBOXES



More than

8.2 million

registered since launch

as of December 31, 2012