

2008 SOCIAL RESPONSIBILITY REPORT

BETWEEN OUR SOCIAL MANDATE > < AND PROFITABILITY

BETWEEN OUR CUSTOMERS > < AND THEIR CUSTOMERS

MAKING THE CONNECTION

BETWEEN ELECTRONIC > < AND PHYSICAL MAIL

BETWEEN TODAY > < AND TOMORROW

BETWEEN OUR EMPLOYEES > < AND SUSTAINABILITY

For every individual act of social responsibility, however small, there is a beneficial effect.

At all levels, we are *Making the Connection* between our actions and their impacts. We recognize that corporate social responsibility efforts are as interconnected as the world in which we live. The modernization of our infrastructure is linked to the sustainability of our business, and the health and safety of our employees. Accident prevention is linked to employee engagement, which is linked to employee benefits and feelings of worth, which are linked to ethics and respect, environment and air quality, and community involvement. And the connections continue... And everything links back to financial sustainability and our ability to preserve service levels to Canadians.

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MESSAGE FROM THE PRESIDENT AND CEO



I am proud to present our second Corporate Social Responsibility (CSR) Report. This report builds on the solid foundation of our first report last year as well as on the commitment to good governance, ethical conduct and sound environmental practices that has long been core to our way of doing business. In this report, we cover all aspects of our corporate and workplace activities, supplier and environmental initiatives, and community involvement. We report on our objectives and results with regard to health, safety, environmental impact, business practices and community support.

Much of what we report here is positive despite the challenging global economic climate. In 2008, our employees continued to donate their time, talent and money to a variety of causes that broaden our social impact. We raised more than \$1 million in 2008 for the Canada Post Foundation for Mental Health, surpassing our target. We met our year-end earnings before tax target, largely because of some aggressive cost reductions. We improved employee engagement, registered eight buildings for LEED™ certification and won another “Thanks a Million” award from United Way. We carried out safety audits at 35 of our locations and developed comprehensive accident-prevention plans. We also organized more than 15 Regional Forums

and 600 workplace visits by senior executives, reaching more than 12,000 of our employees, including more than 7,000 employees represented by the Canadian Union of Postal Workers (CUPW). This was the first time that employees from the CUPW had participated in the Forums.

In other areas, however, the news is not as positive. Absenteeism and accident rates remain well above Canadian norms. We also continue to receive a very large number of grievances compared to other large Canadian unionized enterprises. In 2008 alone, we spent approximately \$12 million processing and settling these grievances.

We believe that CSR is crucial to managing our business, changing our culture and taking action in those areas in which we need to improve. CSR is about doing the right thing for our communities, our customers, our Shareholder, our employees and all Canadians, even when we are faced with difficult choices.

Throughout 2008, we continued to embed CSR into every aspect of how we do business. We want to make Canada Post stronger so that we can continue to serve future generations of Canadians. We won't do that by focusing only on our financial bottom line. We will do it by investing in our people, our processes and our infrastructure, by becoming more diverse, by working with communities, and by understanding and managing the effect we have on the environment.

CSR doesn't lose its relevance in an economic downturn. In fact, it becomes more important because the stakes are so much higher. We see this report as a continuation of our dialogue with employees, businesses and all Canadians about the challenges facing our planet and how, as a corporate citizen, we are addressing some of the key issues and trying to make lasting improvements in how people live and work.

We believe that CSR is good for business even in tough economic times and that a healthy future starts with the recognition that change is as necessary in business as it is in life. This report—and the action plans that drive it—are an integral step toward creating a sustainable future not only for Canada Post, but also for all Canadians.

A handwritten signature in black ink that reads "Moya Greene".

Moya Greene,
President and
Chief Executive Officer

MESSAGE FROM THE SENIOR VICE-PRESIDENT, CSR



Canadian author Ronald Wright, in his 2007 Massey Lecture, compared the plight of our planet today to the predicament facing the inhabitants of Easter Island at the time when they were relentlessly deforesting their isolated Pacific home. In the case of the Easter Islanders, their fatal mistake was to strip the island of the one renewable resource—palm trees—that not only made sustainable life possible, but also provided the only viable means of escape to another habitat.

For Wright, it is not a huge leap to link this ultimately suicidal past human behaviour on the part of a few islanders to today's world. "Things are moving so fast [in terms of global warming] that inaction itself is one of the biggest mistakes," says Wright. "Now is our last chance to get the future right."

"Getting the future right" is what Canada Post's Corporate Social Responsibility efforts are aimed at achieving. In everything from the reduction of our carbon footprint to ensuring the health and safety of our employees to supporting communities, our ultimate goal is to create a sustainable enterprise that provides value to its customers and all Canadians.

As one who has the privilege of leading the CSR effort at Canada Post, I am pleased to report that progress was achieved across a wide range of activities and initiatives over the

past 12 months. This report speaks to them in detail, but I was particularly proud to see our Parcels business deliver on its promise to roll out a new, fully recyclable line of courier envelopes. I was heartened to see our Direct Marketing line of business launch a "green" website designed to improve the environmental practices of direct marketers. And I was thrilled that Canada Post was able to raise \$1 million for its worthy "cause of choice," mental health.

Even in those areas where we didn't reach our target, such as waste diversion from landfills, where we achieved 65 per cent diversion against a stated goal of 75 per cent, the progress was remarkable. None of these things happen by chance. Indeed, it took the hard work and dedicated co-operation of thousands of Canada Post employees to move us forward on these various fronts. For that, I wish to thank each and every one of our employees, from the members of the CSR Steering Committee to the product development teams to the men and women in our plants, depots and post offices who helped us recycle and divert waste.

Looking ahead, I see reason for both caution and optimism. The caution is born of economic reality. The world economy has been battered over the past several months and Canada Post is feeling the full brunt of the downturn. Sustainability does not come for free—by very definition, it requires a level of profitability to fund everything from future products and service for customers to modern, healthy and safe facilities for our employees to new vehicles that get better fuel efficiency and emit less CO₂. Profitability also allows Canada Post to contribute generously to United Way and to signature programs. All of this means it's imperative for us to get to a competitive cost structure, keeping this wonderful enterprise viable, strong and serving Canadians into the future.

My optimism stems from the tremendous support shown by the many employees I have met as I went out across the country. Without exception, I have found our people not only embracing sustainability and the tenets of Corporate Social Responsibility, but also urging us to move faster, even in these difficult economic times. We hear you!

A handwritten signature in dark ink that reads "Robert Waite".

Robert Waite,
Senior Vice-President,
Corporate Social
Responsibility (CSR)

AT A GLANCE

Canada Post Overview

Status	1981: Canadian postal service became a Crown corporation: Canada Post Corporation
Head Office	Ottawa, Canada
President and CEO	Moya Greene
Chairman of the Board of Directors	Marc Courtois
2008 Unconsolidated Revenue ⁹	6.1 billion
2008 Consolidated Revenue ⁹	7.7 billion

Workforce (Canada Post segment)

Full-time Employees (December 2008)	51,644
Part-time Employees (December 2008)	8,164

Facilities (Canada Post segment)

Post Offices: Corporate	3,992
Post Offices: Dealers	2,626
Mail Processing Plants	21
Letter Carrier Depots	565

Points of Contact

Number of Canadian Addresses	14.7 million
Street Letter Boxes ⁹	32,200
Total Mail Pickup Points ⁹	1,008,000

Fleet (Canada Post segment)

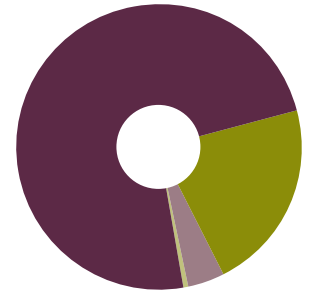
Canada Post-Owned Vehicles	7,000
Rural and Suburban Mail Carrier (RSMC) ⁹ Vehicles	6,700

Subsidiaries/Joint Venture

Purolator Courier Ltd.
 SCI Group Inc.
 Innovapost Inc.

⁹ Term included in glossary

REVENUE SOURCES FOR THE CANADA POST SEGMENT
 in millions of dollars



Commercial	\$4,534
Retail	\$1,285
International Inbound	\$276
Other	\$13

6,618
 Post offices across Canada

14.7M
 Addresses served in Canada

REVENUE AND VOLUME BY LINE OF BUSINESS FOR THE CANADA POST SEGMENT

	Revenue (in millions of dollars / trading day adjusted per cent)				Volume (in millions of pieces / trading day adjusted per cent)			
	2008	2007	Change	%	2008	2007	Change	%
Transaction Mail ⁹	3,234	3,214	20	0.2%	5,319	5,406	-87	-2.0%
Parcels	1,311	1,239	72	5.4%	159	174	-15	-8.3%
Direct Marketing	1,431	1,391	40	2.5%	6,142	6,066	76	0.9%
Other Revenue	132	111	21	18.7%	-	-	-	-
Total	6,108	5,955	153	2.2%	11,620	11,646	-26	-0.6%

About Canada Post

For 158 years, we have been a pillar of the Canadian economy, connecting Canadians, their communities and their businesses. This is an essential role, and one we are proud to continue to play today.

The Post Office Department of the Government of Canada was renamed Canada Post in the late 1960s although it officially remained the Post Office Department until October 16, 1981, when the *Canada Post Corporation Act* came into force. The Act set a new direction for the postal service with the objective of creating a more reliable service and ensuring the postal service's financial security and independence. To enable us to compete more effectively and better focus on our customers' evolving needs, in 2006 we restructured into three lines of business: Transaction Mail (bills, invoices, notices and statements), Parcels and Direct Marketing.

As a financially self-sustaining Crown corporation, we help Canadians communicate with one another, run their businesses and ship goods around the world. In fact, we exist

to serve Canadians, and our employees delivered more than 11.6 billion pieces of mail to 14.7 million addresses from coast to coast in 2008. Our competitors range from niche players to large multinationals. Unlike our competitors, however, we have a mandated universal service obligation to deliver mail to every address in Canada, five days a week. Since 2000, we have also been restricted by a price-cap formula that holds rate increases on the basic letter rate to two-thirds the rate of inflation.

As our customers' needs evolve, we are evolving to meet them. Our objective is to provide Canadians with a world-class postal service while remaining socially responsible and financially self-sustaining. Fulfilling these objectives requires us to remain efficient and financially viable. We are moving forward with substantial Postal Transformation plans, developing a modern, effective and efficient delivery model and renewing plants and equipment so that we can continue to deliver real value to our customers while enhancing safety and productivity and becoming more environmentally friendly.

CHALLENGES

- ▶ The global economic crisis
- ▶ Letter mail volumes are declining
- ▶ Low profit margins make it increasingly hard to fund the much-needed modernization of our infrastructure
- ▶ Absenteeism levels and grievance numbers remain high
- ▶ Accident rate is unacceptably high
- ▶ Future energy-efficiency initiatives are being postponed because of the global economic downturn and its impact on funding availability for investment purposes
- ▶ Our high rate of attrition—more than 50% of Canada Post employees are expected to leave the company in the next ten years

ACHIEVEMENTS IN 2008

- ▶ Reduced planned expenditures by \$150 million
- ▶ Achieved cost reductions already in the plan of \$90 million
- ▶ Met year-end earnings before tax target
- ▶ Achieved 14th consecutive year of profitability
- ▶ Raised more than \$1 million for the Canada Post Foundation for Mental Health
- ▶ Increased our employee engagement score by three percentage points.
- ▶ Launched our first carbon-neutral product
- ▶ Registered eight buildings for LEED™ certification



KEY PERFORMANCE INDICATORS (KPIs), TARGETS AND RESULTS

KPIs	Measurement Source	Unit	2007 Result	2008 Plan	2008 Result	2009 Plan
Our Business						
Canada Post Revenue						
Transaction Mail	Internal*	\$ Millions	\$3,214	\$3,276	\$3,234	\$3,279
Direct Marketing	Internal*	\$ Millions	\$1,391	\$1,508	\$1,431	\$1,547
Parcels	Internal*	\$ Millions	\$1,239	\$1,305	\$1,311	\$1,429
Other	Internal [▲]	\$ Millions	\$111	\$113	\$132	\$114
Canada Post Cost of Operations	Internal*	\$ Millions	\$5,928	\$6,216	\$6,088	\$6,371
Earnings Before Tax – Canada Post Corporation	Internal [▲]	\$ Millions	\$78	\$25	\$66	\$18
Earnings Before Tax – The Canada Post Group ⁹	Internal [▲]	\$ Millions	\$160	\$127	\$161	\$117
Customer Value Index ⁹			2007 Result	2008 Target	2008 Result	2009 Target
Transaction Mail	External*		Partially Achieved		Not Achieved	
Parcels	External*		Achieved		Achieved	
Direct Marketing	External*		Not Achieved		Exceeded	
Delivery Performance – Lettermail™	External*	Percentage	96.1%	96.0%	96.0%	96.0%
Our Employees⁹			2007 Result	2008 Target	2008 Result	2009 Target
Fatalities	Internal	Number	1	0	1+	0
Number of Accidents	Internal	Number	4,588	–	4,507	–6%*
Accident Frequency	Internal*	Percentage	8%	–7%	0%	–*
Employee Engagement Index	External*	Number	52	56	56	58
Learning Index	Internal	Percentage	–	–	–	90%
Our Communities			2007 Result	2008 Target	2008 Result	2009 Target
Pre-tax Profits Donated ⁹	Internal	Percentage	1.4%	1%	1.6%	1%
Mental Health Fundraising	Internal	\$ Millions	–	\$1	\$1	\$1
Our Environment			2007 Result	2008 Target	2008 Result	2009 Target
GHG Emissions	Internal	Kilotonnes	200	196	197	195
Total Registered LEED™ Buildings	Internal	Number	–	6	8	11
Landfill Waste Diversion	Internal	Percentage	–	75%	65%	75%

[▲] Results based on audited financial statements

* Results reviewed by Internal Audit

⁹ Term included in glossary

* 2009 target will be on the total number of accidents instead of the frequency

+ A second fatality is still under investigation

AWARDS AND RECOGNITIONS



A Top-100 Employer hat trick
For the third year in a row, Canada Post was recognized as one of Canada's Top 100 Employers by Mediacorp, as announced in Maclean's magazine. This award recognizes Canada's best places to work.



Gold Hallmark for Aboriginal Relations
Canada Post received the Gold Award for Excellence in Progressive Aboriginal Relations from the Canadian Council of Aboriginal Business. This award recognizes our leadership and sustainability in progressive Aboriginal relations.



One of Canada's best diversity employers
Canada Post was selected as one of Canada's Best Diversity Employers by Mediacorp, as announced in Maclean's magazine. This award recognizes employers that have developed exemplary diversity initiatives.

Award-winning corporate social responsibility
Canada Post won the Algonquin College and Ottawa Community Loan Fund's inaugural Corporate Social Responsibility Award, which recognizes a corporation that has exhibited strong commitment to CSR in Canada.



Millions of thanks
In 2008, Canada Post received a "Thanks a Million" award from United Way. We have received this award, which recognizes organizations that raise \$1 million or more, every year since its inception.

ABOUT THIS REPORT

This is Canada Post's second Social Responsibility (CSR) Report. The report presents Canada Post's CSR performance for the fiscal year ended December 31, 2008.

SCOPE

This report covers the activities of the Canada Post segment only. Unless otherwise specified, it doesn't include the performance of our subsidiaries and joint venture, Purolator Courier Ltd., SCI Group Inc. and Innovapost Inc. In this report, "Canada Post" and "Canada Post segment" refer to the core service of Canada Post, excluding other interests.

REPORTING PERIOD

Our goal is to report on an annual basis. To show a reasonable view of general trends in recent years, we have opted in this report to cover our various performance indicators for the last three years, where information is available. However, with regard to activities, we focus only on those that took place in 2008.

FORWARD-LOOKING STATEMENTS

This CSR Report contains forward-looking statements that reflect management's expectations regarding the Corporation's objectives, plans, goals, strategies, future growth, results of operations, performance, and business prospects and opportunities. Forward-looking statements are typically identified by words or phrases such as "anticipates," "expects," "believes," "estimates," "intends," and other similar expressions. These forward-looking statements aren't facts, but only estimates regarding future results. The Corporation can't assure that projected results or events will be achieved. Accordingly, readers are cautioned not to place undue reliance on the forward-looking statements.

The forward-looking statements included in this CSR Report are made only as of the date of this CSR Report, and the Corporation doesn't undertake to publicly update these statements to reflect new information, future events or changes in circumstances or any other reason after this date.

CLARITY

We have tried to write this report in clear, simple and understandable language. A glossary is available to help explain various industry-specific terms and concepts. All terms in the glossary are marked with a superscript "g" (9). All monetary amounts are in Canadian dollars, unless otherwise noted.

GLOBAL REPORTING INITIATIVE (GRI)

This report is informed by the Global Reporting Initiative's (GRI's) principles and indicators. We intend to further our reliance on the GRI framework in the coming years and expand the number of indicators covered by our Corporate Social Responsibility Report. We also intend to follow some of the relevant guidelines outlined in the Transportation and Logistics sector supplement. Based on our self-assessment, we consider our report to meet GRI reporting level C.

INFORMATION INTEGRITY

Canada Post Corporation's management is responsible for the preparation and integrity of the information in this report. We believe the report fairly represents our CSR activities based on internal control systems, including verification by internal business-process owners. Financial results are based on our audited financial statements, as noted in our 2008 Annual Report. Certain operational results have been reviewed by third-party providers. Our Internal Audit Group assisted in the data-quality review process for several key CSR performance indicators.

A new Disclosure Committee

In 2008, we implemented a new Corporate Disclosure Practice and created a Disclosure Committee to ensure the complete, accurate, relevant and timely external disclosure of material information about the Corporation to stakeholders. The Committee enables Canada Post's President and Chief Executive Officer (CEO), and Chief Financial Officer (CFO) to fulfill their oversight responsibilities for disclosure and enables the Corporation to mitigate reputation and external disclosure risk. Committee members include senior executives from across our company. For each significant or material disclosure, such as the Corporate Plan, Annual Report and this Corporate Social Responsibility Report, the Disclosure Committee will assess the completeness, accuracy, relevance, timeliness and consistency of the document, and challenge the veracity of the evidence in support of it.

BALANCE

We believe that continual improvement will take place only if we adopt an approach that provides a balanced view of current positive and negative impacts. Therefore, whenever feasible, we have provided a list of our challenges and accomplishments in relation to specific topics.

PLANNING AND EXECUTION

Planning, execution and reporting of our CSR activities are coordinated and supervised by Robert Waite, Senior Vice-President, CSR, and by the CSR Steering Committee, which is comprised of representatives from various departments, including Health and Safety, Environmental Management, Compliance, Human Resources, Finance, Sourcing Management, Communications, and each of our three lines of business.

CHANGES FROM THE LAST REPORT

No significant changes in reporting scope and framework have been made since the last report. We have enhanced coverage of greenhouse-gas emissions and are using a subset of the key performance indicators contained in the new Environmental Measurement and Management System adopted by members of the International Postal Corporation (IPC).

FEEDBACK AND FURTHER INFORMATION

We welcome your feedback on this report. Please email us at info.csr@canadapost.ca. This report is also available online at canadapost.ca/csr.



INTEGRATING CORPORATE SOCIAL RESPONSIBILITY AT CANADA POST

We want to become known as Canada's most socially responsible corporation. This vision isn't a destination, but rather a compass that guides every decision we make.

Although the corporate social responsibility (CSR) function at Canada Post was officially initiated only in 2008, we made great strides through the year as we began to put into place the governance structure, systems, tools and processes that will enable us to embed the principles of sustainability into everything we do.

A committee of the Board of Directors responsible for CSR was formed in 2008.

A senior vice-president, who oversees CSR strategy and executive function, and a senior advisor and manager for ongoing CSR activities and reporting were also appointed. Additionally, we formed a cross-departmental CSR steering committee that guides the strategic direction of our CSR program and provides leadership on CSR issues within each member's department.

To ensure that CSR principles are taken into account in all key decision-making processes, we are working to integrate CSR guidelines into our sourcing-management and business-planning activities.

CORPORATE VALUES

- ▶ We work to earn our customers' business
- ▶ We succeed by working together
- ▶ We take responsibility for our actions
- ▶ We treat each other with fairness and respect
- ▶ We strive to continuously improve
- ▶ We act with integrity in all that we do

ORGANIZATIONAL STRUCTURE



CODE OF CONDUCT

Like any large organization, Canada Post and its employees are often faced with challenging decisions. We have a Code of Conduct that outlines appropriate behaviour for employees at all levels. At the heart of the Code of Conduct is establishing trusted relationships among employees as well as with partners, suppliers and the Government of Canada.

We are committed to creating an open and transparent work environment in which employees are free to report any concerns about wrongdoing in the workplace. Although cases of wrongdoing are rare, we want all employees to feel able to raise issues with their immediate supervisors or senior management.

Disclosure of Improper Activities in the Workplace (“Whistleblowing”) Policy and the *Public Servants Disclosure Protection Act*

Our corporate values reflect the principles, beliefs and aspirations that guide our behaviour and shape our culture. To remain an organization that Canadians trust, we must all act with integrity and demonstrate honesty and the highest levels of ethical behaviour every day.

Our “whistleblowing” policy enables employees to speak in confidence to their supervisors or the Corporate Compliance Officer responsible for “whistleblowing” about improper activities in the workplace. Employees who feel uncomfortable discussing potential wrongdoing with management can also talk directly to Clearview Strategic Partners Inc., an independent company that operates an anonymous “whistleblowing” hotline on our behalf.

MATERIALITY

The information in this report reflects topics and indicators deemed by management to be of significant interest and concern to our company, Shareholder and primary stakeholders.

In 2008, we formalized the process to identify the issues that matter to Canada Post. We undertook a structured issue-identification process and ranked issues based on our assessment of the degree of stakeholder interest and the potential business impacts. Management of these issues is at the heart of our CSR activities and we have structured this report to provide information on our management approach and performance on those issues that we deemed most material.

As promised in our 2007 Corporate Social Responsibility Report, we conducted more extensive stakeholder engagement activities in 2008 to better inform the relevance of potential report content and associated data, and seek clarity on the issues driving long-term value for our stakeholders. This engagement included convening focus groups with experts in our industry, which provided important insight for our prioritization of the issues included in this report.

Summary of issues identified

Many of these topics and indicators are the subject of corporate performance targets or require compliance with the regulatory and institutional frameworks under which our company operates. Other information relates to broader social expectations and the extent to which our company influences its employees, customers and suppliers.

Some of the topics and indicators covered in this report require ongoing, active management either to ensure we meet self-imposed performance targets or to comply with external regulations. Others

SUMMARY OF ISSUES IDENTIFIED

Economic and governance

- ▶ Financial self-sustainability
- ▶ Value creation for customers
- ▶ Privacy and security
- ▶ Need for technological innovation
- ▶ Procurement practices
- ▶ Official languages

Social

- ▶ Employee engagement and corporate culture
- ▶ Employee safety
- ▶ Employee rights
- ▶ Mental health
- ▶ Literacy
- ▶ Donations and sponsorships
- ▶ Diversity
- ▶ Relations with Aboriginal Peoples

Environmental

- ▶ Climate change and energy
- ▶ Impact of buildings and fleet
- ▶ Paper and mode of delivery
- ▶ Recycling and landfill waste diversion
- ▶ Indoor air quality

are included because of their historical significance or level of importance to our stakeholders. We gauge level of importance by various methods, including employee surveys and Regional Forums, ongoing communications with our Shareholder, and comments and suggestions received from customers and through market research.

Stakeholders

First and foremost, we are accountable to every Canadian citizen through our Shareholder, the Government of Canada. Our financial success and sustainability depend, to a large extent, on the revenue generated through our services to hundreds of large institutional customers, tens of thousands of small and medium-sized businesses and millions of consumers. As one of Canada's largest employers, we have a direct effect on the lives of our approximately 60,000 employees as well as on their families and the communities in which they live. Our success also depends on the quality of our relationships with our employees and our unions as well as on suppliers, municipal governments and non-government organizations.

MAIN STAKEHOLDERS AND FORMS OF ENGAGEMENT

Customers

- ▶ Stakeholder engagement sessions
- ▶ Regular executive account-management sessions
- ▶ Executive Dialogue series
- ▶ Customer Value Management surveys
- ▶ Website and email
- ▶ Retail post offices
- ▶ Ombudsman
- ▶ Customer Advisory Council
- ▶ Customer Service Call Centre

Employees

- ▶ Regional Forums
- ▶ Executive meetings
- ▶ Employee survey
- ▶ Employee magazine
- ▶ Letters from the President and other communications
- ▶ Intranet
- ▶ Summary of Social Responsibility Report
- ▶ Fundraising campaigns
- ▶ Ombudsman

Communities, municipalities and elected political representatives

- ▶ Retail post offices
- ▶ Community Outreach program
- ▶ Stakeholder engagement sessions

Shareholder

- ▶ Communications with Minister responsible for Canada Post
- ▶ Newsletters

Suppliers

- ▶ Stakeholder engagement sessions

Others

- ▶ CEO blog
- ▶ Emails
- ▶ Feedback from our corporate website

RISK MANAGEMENT

In 2007, management began to examine Enterprise Risk Management (ERM) practices and enhance our activities in this area. Although management at all levels already considers risks and opportunities in business decisions, a more systematic, integrated and rigorous approach was deemed necessary to manage business risk in the future. The first step was to assess areas of greatest risk and identify potential mitigation plans through workshops with senior executives. These workshops took place in 2007 as an integral part of the corporate planning process.

We continued to implement ERM in 2008 with the establishment of formal oversight by our executive team and the Audit Committee of the Canada Post Board of Directors. The executive team's responsibilities include approving ERM practices and objectives, determining the most significant risks to the Corporation, and ensuring that these risks are appropriately monitored, mitigated and managed.

We will continue to further evolve and improve our ERM processes in 2009 to better align risk assessments with industry best practices as well as the changing economy. Detailed information around some of the Corporation's key risks can be found in our 2008 Annual Report.

Key strategic risks include:

Significant revenue declines, pension deficits, inability to fund Postal Transformation and other initiatives, Postal Transformation implementation, inflexible cost structure, the traditional view of the postal service inhibiting transformation.

Key operational risks include:

Health and safety, mail security, business continuity, environmental sustainability, workforce attrition, privacy and legal risks.



OUR BUSINESS

Connecting financial sustainability and social responsibility.

THE BUSINESS ENVIRONMENT IN WHICH WE OPERATE CHANGED DRAMATICALLY IN 2008.

In the last two months of the year, we saw a dramatic fall in revenue as the effects of the financial crisis began to be felt around the world. As a result, we face many challenges in 2009. We are undertaking an ambitious program of investment and innovation in our services, our infrastructure and our culture. This is crucial if we are to continue to provide the level of service Canadians and Canadian businesses require from us now and into the future.

In addition to the global financial crisis, we face another very specific problem: the postal sector is weakening around the world and has been for a while. The declining letter mail volumes we experienced in 2007 continued into 2008. The current recession and financial uncertainty are causing businesses to curb spending, which will inevitably lead to further drops

in volumes and put additional pressure on Canada Post's revenues in 2009.

We must further reduce our costs if we are to weather the continuing revenue declines caused by this recession. We must also continue our evolution into a dynamic, forward-thinking organization if we are to prevail over the new and ongoing challenges that 2009 will bring.

As the needs of Canadian businesses and citizens evolve, so, too, must we if we are to remain relevant, continue to provide Canadians with a world-class postal service and remain financially self-sustaining. Such an evolution, however, requires large capital investments in our infrastructure, plants and people. The economic downturn means that we will face an increasing challenge in our capacity to invest.

CHALLENGES:

- ▶ The global financial crisis
- ▶ Declining transaction mail volumes
- ▶ Funding for Postal Transformation
- ▶ Additional funding needed to cover Pension Plan deficits

ACHIEVEMENTS:

- ▶ Reduced planned expenditures by \$150 million
- ▶ Achieved cost reductions already in the plan of \$90 million
- ▶ Met year-end earnings before tax target
- ▶ Achieved 14th consecutive year of profitability

Financial Performance: The Canada Post Group

This page focuses on the consolidated financial results of Canada Post, which include the accounts of our Corporation, our subsidiaries (Purolator Courier Ltd. and SCI Group Inc.) and our interest in Innovapost Inc., a joint venture. These companies are collectively referred to as "The Canada Post Group."

Despite the fact that 2008 was a challenging year, The Canada Post Group ended the period with net income of \$90 million, an increase of \$36 million over 2007. This extends the Group's record of profitability to 14 consecutive years. However, earnings remained low in 2008

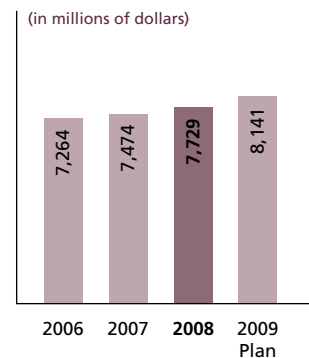
with an operating margin of only 1.8 per cent and, if it hadn't been for some timely and proactive cost-savings efforts at Canada Post Corporation, the Group would have lost money for the first time in 14 years.

Income before income taxes was \$161 million against a plan of \$127 million. We paid a dividend of \$22 million to our Shareholder, the Government of Canada, in respect of the 2007 fiscal year. Total dividends paid over the last five years amount to \$271 million. Total corporate income taxes paid over the last five years amount to \$423 million.

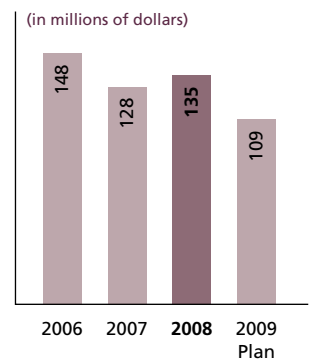
FINANCIAL AND OPERATING HIGHLIGHTS – THE CANADA POST GROUP

(in millions of dollars)		2008	2007	% CHANGE
Operations				
Revenue from operations	As reported	\$7,729	\$7,474	3.0%
Income from operations	Revenue from operations – cost of operations	135	128	5.6%
Operating profit margin (%)	Income from operations ÷ revenue from operations	1.8%	1.7%	–
Productivity (%)	Cost of operations as a % of revenue from operations	98.2%	98.3%	–
Income before income taxes	As reported	161	160	1.0%
Net income	As reported	90	54	66.1%
Return on equity (%)	Net income ÷ average equity	6.1%	3.8%	–
Dividend ^a paid		22	47	(54.1)%
Dividend payout ratio (%)	Dividend paid as a % of prior year's net income	40%	40%	–
Cash from operations	As reported	597	344	73.6%
Capital expenditures	As reported	391	331	18.1%
Financial Position				
Cash		605	386	56.9%
Total assets		5,591	5,167	8.2%
Equity of Canada		1,507	1,439	4.8%

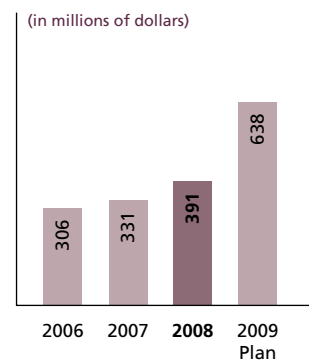
REVENUE



INCOME FROM OPERATIONS



CAPITAL EXPENDITURES



Financial Performance: Canada Post segment

This page focuses on the unconsolidated financial results of the Canada Post segment of The Canada Post Group. This segment excludes the accounts of our subsidiaries and joint venture.

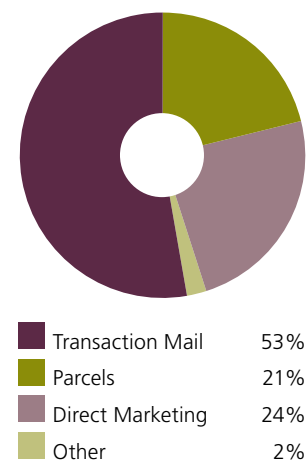
The Canada Post segment generated revenue from operations of \$6,108 million in 2008, an increase of \$153 million or 2.2 per cent compared to 2007. Although volumes were down in all products except Unaddressed Admail™, price increases and other non-recurring items helped generate revenue growth. The slower economy in the latter half of the year contributed the most to the volume decline, with all products significantly below expected volumes. The revenue increase was comprised of a \$20-million increase in Transaction Mail revenue, a \$72-million increase in Parcels revenue and a \$40-million increase in Direct Marketing revenue. Other services contributed an additional \$21 million. Total cost of operations was \$6,088 million, an increase of \$160 million or 2.7 per cent over 2007.

The Canada Post segment contributed \$66 million of income before taxes to the 2008 consolidated Canada Post Group results, a decrease of \$12 million compared with 2007.

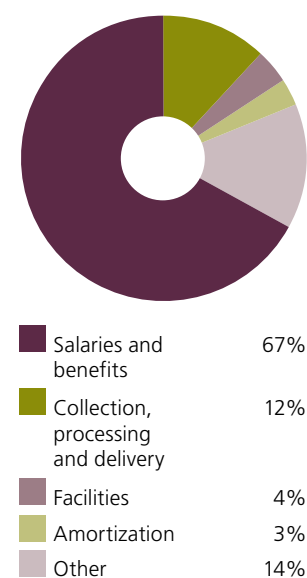
To offset the negative pressure on revenue, we took some very aggressive cost-containment measures in early 2008, well before the turmoil in global markets last fall. We reduced planned expenditures by \$150 million. This was on top of already budgeted cost savings of \$100 million, of which we achieved \$90 million in actual savings. If we hadn't taken these extraordinary measures, Canada Post would have incurred an operating loss of well over \$150 million in 2008. Furthermore, if one-time transactions, primarily transitional support of \$81 million from the Government of Canada related to pension and certain ancillary benefits, were removed from the results, the Canada Post segment would have incurred an even greater loss. This transitional support ends in 2010, putting more pressure on our earnings going forward.

(in millions of dollars)	2008	2007	Change	%
Revenue from operations	6,108	5,955	153	2.2 %
Cost of operations	6,088	5,928	160	2.7 %
Income from operations	20	27	(7)	(26.4)%
Non-operating income (expense)	46	51	(5)	(9.1)%
Income before income taxes	66	78	(12)	(15.0)%

2008 REVENUE
BY LINE OF BUSINESS



2008 COST OF
OPERATIONS



Postal Transformation

Our plans for Postal Transformation, which include investment in our plants, delivery operations, equipment, technology and people, are completely connected to the health and safety of our employees, the security of the mail, and our ability to remain financially sustainable going forward. Substantial infrastructure investment in the Canadian postal network is long overdue. We lag behind our international competitors and other Posts in Europe and the United States who have undergone major transformations in recent years to enable them to meet the changing demands of customers and realize productivity improvements and cost savings.

REPLACING OBSOLETE EQUIPMENT

The majority of our mail-processing plants are more than 40 years old and the mail-processing equipment and systems in these plants are on average close to 20 years old. The multi-year Postal Transformation initiative will modernize our plants, equipment and processes, which will enable us to improve employee safety, efficiency and productivity. The modernization will also enable us to build a foundation for new and improved products and services. Postal Transformation is being phased in beginning with mission-critical initiatives that are deemed crucial to our core mandate and continued viability, and the health and safety of our employees.

IMPROVING HEALTH AND SAFETY

In 2008, we began work on a new state-of-the-art, environmentally friendly mail-processing plant in Winnipeg. The plant is scheduled to be operational in 2010. Designed with health and safety in mind, the facility will be equipped with new technology and ergonomically sound, next-generation processing equipment. The facility will give our customers the best possible service, and our employees

a new and efficient working environment with more safety features. To enable us to move from a manual to a mechanized mail-sequencing system, we also need an accurate and up-to-date address database. In 2008, the Address Management System (AMS) pilot in Winnipeg achieved an address accuracy rate of more than 98 per cent while also adding the capability to collect more detailed address information and update it daily. The AMS is crucial for us to be able to sort mail mechanically in our plants to the level of individual addresses.

DELIVERING IN A NEW WAY

The delivery model in Winnipeg will change significantly with the introduction of new-generation sorting equipment that enables us to automate letter mail sequencing, a task currently performed manually by letter carriers. Additionally, a greater percentage of our letter carriers will cover their delivery routes in motor vehicles rather than on foot. This will enable them to collect mail along their routes and deliver all products, including parcels. Based on projections, we will avoid higher greenhouse gas (GHG) emissions by sourcing smaller, more fuel-efficient vehicles whenever possible. Future Postal Transformation plans include investments in mail-processing equipment and systems across the country.

KEY CHALLENGES FOR 2009

The key challenges we face in 2009 are the economic crisis, our declining volumes and expected solvency deficits for our Pension Plan, which will make it difficult for us to find funding for future Postal Transformation initiatives in 2009 and beyond. These initiatives are essential to our ability to remain profitable. If we don't invest now, it will be increasingly challenging for us to meet our service standards, without incurring higher costs, and reduce our unacceptably high accident rate.

KEY ACHIEVEMENTS IN 2008

- ▶ Started construction of the new Winnipeg plant, which is scheduled for completion in 2010.
- ▶ Conducted numerous customer focus groups to share with all levels of customers the concepts driving the modernization of our operations in terms of mail induction, processing and delivery. While most operational efficiencies may prove to be invisible to the majority of customers, we feel it's important to continue working with them throughout the process to acknowledge that we are listening to them and to assure them that we are working at addressing their concerns and observations.
- ▶ Completed audit tests of Winnipeg's new Address Management System (AMS), which achieved an address accuracy rate of more than 98 per cent, exceeding the expected 95 per cent.
- ▶ Involved health-and-safety experts in all aspects of planning to develop safe work methods and procedures, conduct pilots, and institute any required changes.

Privacy and Security

Our commitment to the security of the mail and the protection of personal information is fundamental to the way we operate. Security, privacy and data protection are core components of our ability to achieve our business objectives.

PRIVACY

We have demonstrated strong compliance with the *Privacy Act* for more than 20 years and strive to follow the highest privacy standards in Canada. Administration of the Act is the responsibility of the General Manager, Privacy Leader, who reports to the Vice-President, General Counsel, Corporate Secretary and Compliance. The privacy team is comprised of a network of head-office and regional privacy coordinators who work under the guidance of the General Manager, Privacy Leader.

Based on informal tracking, our Privacy Office received more than 600 privacy enquiries, and complaints from customers, employees and Canadians in 2008, an increase of more than 200 over the 2007 figure of 400.

The Privacy Commissioner's Office forwarded 21 new privacy complaints to Canada Post in 2008, while 25 were closed. There are currently 36 investigations open.

Privacy achievements in 2008 include:

- ▶ Improved the governance of personal-information protection within Canada Post through building greater accountability among employees.
- ▶ Developed and implemented the first phase of a new privacy-management strategy that will create a holistic view of privacy and information management, ensure consistent and transparent privacy protection, and provide proper risk management.
- ▶ Established a Privacy Office, and implemented new customer and

employee privacy policies and an updated online privacy statement.

- ▶ Began to shift attitudes to recognize privacy risks as business risks.

In 2009, we plan to work toward better alignment of IT security, corporate security and privacy, and the need for greater information management through a formal internal advisory group.

SECURITY

We recognize that we have a moral and legal obligation to deliver the mail safely and securely. Crime, especially identity theft, is on the rise and we are seeing more mail theft because of the increased value of confidential personal information. We are committed to taking all necessary steps to ensure that security considerations are incorporated into all aspects of our business from mail drop-off by customers to delivery by our employees. Our Security and Investigations Services department's 80 highly trained postal inspectors are dedicated to security and criminal investigations, and work closely with other postal administrations and law-enforcement agencies to stay ahead of emerging trends in criminal activity.

Achievements in 2008 include significant steps to enhance the security of street assets:

- ▶ Replaced master locks on numerous street mailboxes, community mailboxes, apartment mailboxes and mailroom doors to counter vandalism and break-in attempts. More than 600,000 master locks will be systematically replaced nationwide by 2010 with high-crime areas being retrofitted first.
- ▶ Tested anti-pry devices at community mailbox sites in high-risk areas of British Columbia. If this pilot proves successful, the devices will be installed at sites across the country.

We are currently working on a number of security initiatives, including:

- ▶ Enhancing our bar-coding system to enable us to better monitor Lettermail performance
- ▶ Developing new product solutions with the introduction of state-of-the-art technology that will enable us to better track mail containing sensitive documents such as passport applications

Delivery Standards

Target: 96% on-time delivery for Lettermail

We are the only company that delivers letters and parcels to every Canadian resident and business every day of the week, and on-time delivery of mail remains crucial to our continuing success. We remain committed to delivering properly prepared and addressed Lettermail in two business days within the same metropolitan area or community, three business days within the same province, and four business days between provinces. Our primary objective is to exceed delivery standards across the board. An independent firm tests our Lettermail service by depositing mail through street letter boxes, post offices and community mailboxes, and tracking it to delivery points across the country.

In 2008, we delivered more than 11.6 billion pieces of mail to 14.7 million addresses across Canada and met our target of 96 per cent on-time delivery for Lettermail. Concerted efforts to improve delivery of direct-marketing mail items were successful in 2008. We achieved our target for Addressed Admail™ service and came close to achieving our target for Unaddressed Admail service. However, we didn't meet our targets for Expedited Parcel, Xpresspost™ or Priority™ Next A.M. services. To address this, we are improving process capabilities, strengthening transportation links and building on the flexibility gained through our partnership with our subsidiary, Purolator.

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



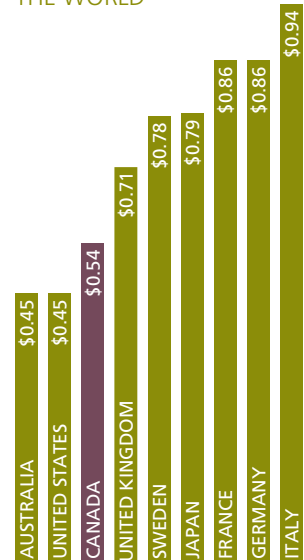
Creating Value

We recognize that our customers are at the heart of everything we do, and that value is the single most important predictor of market share and profitability. Our Customer Value Management (CVM)⁹ program identifies the drivers of customer value and loyalty through relationship surveys and transactional questionnaires. This research enables us to collect valuable information about our customers' mailing habits and practices, and assess their loyalty to Canada Post. The research also enables us to capture feedback from customers about our products, services, delivery, price and service culture. The transactional questionnaires ask customers about their recent experiences with Canada Post, including our sales and customer service representatives, post offices, delivery personnel and website. The surveys and questionnaires offer crucial insight into the quality of our service, our competitive advantage and any areas that need improvement.

The Customer Value Index (CVI), which is a measure of customer loyalty to Canada Post, is established from the CVM program research. CVI targets for each of the lines of business, which are set in the fourth quarter for the following year, help us focus corporate initiatives around improving value for customers. The targets also make up part of the Corporate Team Incentive (CTI)⁹ calculation.

In 2008, our Direct Marketing line of business surpassed its CVI target by three percentage points, and the Parcels line of business met its CVI target. Transaction Mail, however, didn't meet its target, but did achieve its improvement objectives in several subcomponents of the CVI, including product offering, product delivery, price competitiveness and service culture.

COMPARISON OF BASIC LETTER RATES AROUND THE WORLD



Canadian \$ equivalent (as of February 2009)

Ethics and Compliance

We are committed to creating an open and transparent work environment that fosters and demonstrates ethical behaviour at all levels, and in which employees are free to report concerns about wrongdoing in the workplace.

ETHICS

Our Code of Conduct outlines appropriate behaviour for employees at all levels. We maintain a corporate policy on disclosure of improper activities in the workplace. We also set up an independently managed, anonymous toll-free hotline to enable employees to report potential improper activities. In 2008, the hotline received 83 reports, compared to 79 in 2007.

COMPLIANCE

Our Compliance Group focuses on compliance in the areas of access to information, privacy, human rights, employment equity, official languages, anti-money laundering and whistleblowing. Enhanced compliance contributes to a culture of "doing the right thing," deters misconduct, and provides a mechanism for monitoring the external environment and managing operational compliance issues.

Money laundering

We have a strong system in place to help detect, prevent and deter money laundering and terrorist financing, and to ensure that we comply with the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act*. Our

system includes internal policies and procedures that enable us to detect and deter possible money-laundering and terrorist-financing activities, and to comply with customer identification, record-keeping and reporting requirements. The system is reviewed on a regular basis to ensure that it is up-to-date and incorporates any changes or updates to the Act.

The key challenge faced in 2008 was the delay until 2009 of the Retail Automation Project due to change-management and technological issues. The project will automate manual sites and will significantly help improve compliance throughout our retail network as these sites are where the greatest number of non-compliance problems occur.

Key achievements to counter money laundering in 2008 include:

- ▶ Adapted systems and processes to comply with Bill C-25 legislative changes to the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act*, which were introduced by Parliament to strengthen aspects of the Act.
- ▶ Delivered training to 17,779 employees, mostly post office counter clerks, to increase awareness of compliance requirements. Training will continue throughout 2009 as required by legislation.
- ▶ Commenced deployment of retail automation and money-order redesign in more than 3,000 manual locations.
- ▶ Strengthened our monitoring and forensic-analysis tools to further help in the detection of non-compliance.

CODE OF CONDUCT

Our Code of Conduct describes our standards for fair and ethical conduct. Customers, suppliers, employees and other stakeholders who witness or have knowledge of potential improper behaviour, including unethical conduct, are encouraged to review our Code of Conduct and follow the "Where to Go to get Help" reporting process. The Code of Conduct can be found at canadapost.ca/AboutUs/Corporate.

17,779

Number of employees (mostly counter staff) who received training to prevent money laundering

Labour Relations

We are committed to maintaining professional and effective relationships with our unions, and to working with all of our employees and their unions to ensure labour stability. We know that only by working together can we maintain the long-term viability of our company despite a challenging economic environment. With four unions representing the majority of our approximately 60,000 employees and five different collective agreements, collective bargaining is extremely intensive. Every year, a significant amount of time and effort must be devoted to the renewal of collective agreements.

The unions representing Canada Post employees are the Canadian Union of Postal Workers (CUPW), which represents two bargaining units (urban operating and Rural and Suburban Mail Carriers), the

Association of Postal Officials of Canada (APOC), the Public Service Alliance of Canada (PSAC), and the Canadian Postmasters and Assistants Association (CPAA).

On November 17, approximately 2,100 full- and part-time employees who are members of the Union of Postal Communications Employees (UPCE), a division of PSAC, began a general strike that lasted until December 22. Mail service continued with minimal delays, which were mainly due to picketing activity at major plants and some depots. Management employees were deployed to business-critical functions, such as customer service call centres, payroll and accounts payable, to maintain service. A tentative agreement was reached on December 20, 2008, which was ratified by PSAC on December 23, 2008.

NUMBER OF BARGAINED EMPLOYEES

Bargaining Unit	# of Represented Employees*	Collective Agreement Expiry Date
CUPW (Canadian Union of Postal Workers)	41,281	January 31, 2011
CUPW-RSMC (Canadian Union of Postal Workers – Rural and Suburban Mail Carriers)	6,368	December 31, 2011
CPAA (Canadian Postmasters and Assistants Association)	6,380	December 31, 2009
APOC (Association of Postal Officials of Canada)	3,941	March 31, 2009
PSAC/UPCE (Public Service Alliance of Canada / Union of Postal Communications Employees)	2,001	August 31, 2012
TOTAL	59,971	

* Includes all full-time and part-time employees who are represented by a bargaining group as at December 31, 2008; excludes temporary, casual and term employees

Official Languages

As Canada's postal service, we understand our obligations to a bilingual society. Serving Canadians in both official languages also makes good business and community sense. We are committed to improving our ability to offer services in English and French, and proud to promote linguistic duality and support minority official language communities across the country.

THE LOWEST NUMBER OF COMPLAINTS

In 2008, 40 official languages complaints were received through the Office of the Commissioner of Official Languages. Of these complaints, 35 concerned customer-service issues and five were related to language at work. This represents six fewer complaints than were received in 2007 and the lowest number of complaints since the adoption of the *Official Languages Act* in 1969.

2008	2007	2006
40	46	66

PROMOTING BILINGUALISM

In 2008, we continued our efforts to promote a culture at Canada Post that encourages the use of both French and English. We implemented a communications plan to educate employees and published articles in our employee publications about our Official Languages Policy. In 2009, we will be introducing a new e-learning course for all non-retail employees in bilingual positions, which covers all aspects of Canada Post's Official Languages Policy. Internal Audit will also be conducting a language-of-work audit in our bilingual regions, including Ontario, Quebec and New Brunswick.

OFFICIAL LANGUAGES ACT

In its 2007-2008 report card on the implementation of the *Official Languages Act*, the Office of the Commissioner of Official Languages gave an overall rating of "B" to Canada Post. We also received an "exemplary" rating for the fourth year in a row for the measures the company has taken to support the development of official-language minority communities and promote linguistic duality in Canada. Details of our performance can be found on the Office of the Commissioner of Official Languages' website at www.ocol-clo.gc.ca.



XII SUMMIT OF LA FRANCOPHONIE

In 1970, Canada was a founding member of l'Agence de coopération culturelle et technique (ACCT), an agency united by a shared desire to protect and preserve French language and culture. The ACCT was later renamed the Organisation internationale de la Francophonie (OIF) and currently has 55 member states and governments. In 2008, we marked the XII Summit of la Francophonie with a commemorative stamp that featured a striking image of Québec City. The Summit took place in Québec City when the city's 400th anniversary celebrations were in full swing.

SPOTLIGHT

Financial sustainability

THE FINANCIAL SUSTAINABILITY OF THE POSTAL INDUSTRY

The old postal model gave a country's postal organization (Post) a monopoly, also called an "exclusive privilege," over delivery of letter mail in that country. The rationale for this monopoly was that it would enable a Post to generate sufficient revenue to pay for a universal postal service, commonly known as the universal service obligation (USO). A USO mandates, often through legislation, the minimum level of postal service that a Post must provide. Posts were also given the right to engage in related competitive activities to help support exclusive privilege services.

This model has been under significant pressure for several years. The Internet, email and other forms of digital communication have eroded the value of the exclusive privilege by providing businesses and consumers with numerous alternatives to letter mail. Stagnant or declining mail volumes are a reality for most Posts and while some segments, such as advertising mail, have growth potential, they are generally less profitable and also compete against a host of alternatives. The parcel business is also highly competitive and global players such as UPS and FedEx, who are not subject to USO requirements, operate with far more commercial freedom.

Many governments have responded to the changes in the postal market by updating the postal legislation and regulatory frameworks that govern their Posts. Most postal operators in developed countries have been converted from government departments into commercial entities. Some have been partially privatized. Many Posts, particularly in Europe, have taken advantage of modernized regulatory frameworks to diversify into areas such as logistics, courier and financial services, and

have expanded into other countries often through acquisitions.

Posts have also been modernizing and transforming their core postal operations to reduce costs, and better respond to customer and market demands. Processes have been automated, equipment updated, mail facilities consolidated and workforces reduced or partially converted to part-time to provide for greater flexibility. However, unlike private-sector competitors, the requirement for Posts to provide universal postal services continues to limit their ability to adjust operations and meet changing demand.

As the postal market evolves, the challenge is to balance financial performance with the obligation to provide a universal postal service. To date, no government has removed or substantially diminished the USO of its domestic Post. Recent government-commissioned reports on postal sectors in the United States, the United Kingdom and France all supported continuation of universal postal service while acknowledging the varying financial difficulties faced by Posts. As mail volumes continue to stagnate or decline, and the current recession continues, the debate will intensify as to how to best finance the USO while ensuring the long-term sustainability of postal operators.

THE FINANCIAL SUSTAINABILITY OF CANADA POST

At Canada Post, we have also been affected by changing postal and communications markets. Like other modern Posts, we have a dual mandate: the *Canada Post Corporation Act* states that the Corporation should "establish and operate a postal service" and "conduct its operations on a self-sustaining financial basis." We take these obligations very seriously.



We collect and deliver letters and parcels five days a week to some 14.7 million urban and rural addresses. We also carry out other public-policy obligations, including Parliamentary Mail, Literature for the Blind, the Food Mail Program and Library Book Rates. To provide these services, we rely on a network of 21 plants, 565 depots and 6,618 post offices.

Although we enjoyed our 14th consecutive year of profitability in 2008, profit margins remain slim. The Canada Post Group's operating profit margin in 2008 fell below two per cent for the second year in a row. If our operating subsidiaries, including Purolator Courier, are excluded, the margins are even thinner. Volumes of transaction mail, which has always been our most profitable product, declined two per cent in 2008 and volumes have been flat for several years.

Increases to the basic letter rate are limited to two-thirds of the Consumer Price Index (CPI), which is a broad measure of inflation, or the cost of living, published by Statistics Canada. This price cap has limited our ability to generate revenue and recover operating costs.

Additionally, we have a substantial Pension Plan that is fully funded on a going-concern basis. However, the Plan is also evaluated on a solvency basis and the poor performance of financial markets in 2008 contributed to the Plan being in a solvency deficit position at the end of the year. It's anticipated that special payments will be needed in 2010 and beyond to cover expected going-concern and solvency deficits.

If we can't improve our earnings, it will become increasingly challenging for us to continue to honour both of our mandates: to provide universal service to Canadians while also remaining financially self-sustaining.

Our Postal Transformation initiative is essential to the modernization of our business. However, our low level of profitability has limited the funds available to finance the initiative and inhibited our ability to reinvest in our operations. Accordingly, much of the financing for the Postal Transformation initiative will have to be generated externally. Our external borrowing capability is restricted to \$300 million, subject to the approval of the

"The economic downturn that accelerated in late 2008 has dealt a major blow to all economic sectors, including the global postal business. Even as we work to establish a new financial framework, we will continue to focus on our business priorities and invest in our people and infrastructure. And we are ready with a detailed plan to do just that."

Moya Greene, President and CEO, Canada Post

Minister of Finance. This amount is not aligned with our current requirements, particularly with respect to Postal Transformation.

Financial sustainability means more than just breaking even. In our submission to the Canada Post Corporation Strategic Review, we defined financial sustainability as the ability to:

- ▶ generate sufficient cash flow to fund essential investment (both in our infrastructure as well as growth opportunities), working capital and dividend payments to the Government of Canada;
- ▶ achieve and maintain an earnings level adequate to generate a commercial return on equity; and
- ▶ generate sufficient earnings before interest, tax, depreciation and amortization such that a government guarantee is not needed to raise critically needed capital in debt markets.

When the Canada Post Corporation was created in 1981, we were one of the first postal operators to be commercialized. Since that time, our regulatory framework has remained largely unchanged and, accordingly, we have fallen far behind many of our global peers financially and operationally. It's crucial for us to be able to operate in a framework that enables financial sustainability and ensures the preservation of universal postal service.



OUR PEOPLE

Connecting our employees' values and our company's values.

OUR SUCCESS AS A CUSTOMER-DRIVEN, SOCIALLY RESPONSIBLE AND FINANCIALLY SUSTAINABLE COMPANY IS DEPENDENT ON OUR EMPLOYEES.

Throughout 2008, we continued to build stronger connections with our employees and to work toward creating a modern workplace and a culture based on fairness and respect—a culture and workplace in which employees know that their efforts are recognized and appreciated, and that what they do makes a difference. When employees feel recognized and appreciated, they also feel connected to the company and understand that when the company does well, so do they. Connected employees are more likely to be engaged and perform above expectations.

In 2008, our overall strategy remained centred on promoting safety, improving health and well-being programs, and maintaining an open dialogue with employees.

We started to improve how we manage health and safety, injury and illness prevention, and return to work processes and practices. We also moved toward an integrated and coherent framework for our disability-management programs, with a goal of adopting best practices. We set clear safety accountability by introducing safety-leadership standards for senior management. We also introduced strategies and programs to prevent and control the most common types of hazards and high risks, and also focused on preparing for, and responding to, emergencies. Our specific focus on training, mentoring and supporting front-line leaders is helping them to forge meaningful connections with employees at all levels.

CHALLENGES:

- ▶ Embedding safety within our culture
- ▶ Reducing accidents
- ▶ Managing the changes necessary to ensure the success of the Postal Transformation initiative
- ▶ High absenteeism
- ▶ High number of grievances

ACHIEVEMENTS:

- ▶ Met the Employee Engagement Index target
- ▶ Held 15 Regional Forums and organized 600 workplace visits by senior executives, reaching a total of more than 12,000 employees
- ▶ Provided health-and-safety training to approximately 30,000 employees

Safety

Target: 6% reduction in the number of accidents in 2009

Nothing is more important than preventing accidents and loss of life on the job. Our strong commitment to ensuring that all our employees are safe, secure and healthy, regardless of the job they do or where they do it, continued throughout 2008. Last year, 4,507 workplace accidents resulting in lost time occurred, which represented a decrease of 81 over 2007. However, when the number of hours worked is taken into account to calculate a frequency rate, the rate remains unchanged. Additionally, one letter carrier died in 2008 due to a fall and a second fatality is under investigation by the Workplace Safety and Insurance Board to determine if it was work-related.

Although we didn't meet our target for reducing accident frequency in 2008, and the number of injuries remained unacceptably high, we continued to make good progress in building the foundation for improvement.

Our ongoing focus on creating a safety culture is founded on connecting safety and strong leadership. Management must show by its actions that the safety and well-being of employees is paramount. This is fundamental to our corporate sustainability and strengthens employees' connection to the company.

CONNECTING SAFETY AND ACCOUNTABILITY

In 2008, we set clear safety accountability by introducing safety-leadership standards for senior management and adding these standards to each senior manager's performance scorecard. In 2009, we will extend the standards to all management levels, including supervisors. We also concentrated on informing and coaching our operations leaders about safety-leadership expectations. This process will be ongoing in 2009 and into the coming years.

SAFETY INITIATIVES

We introduced strategies and programs to prevent and control the most common types of hazards and high risks. To prevent and reduce slips, trips and falls, each region made an intensive push before the start of the winter season to identify and eliminate on-route hazards. Our internal winter-safety campaign provided all delivery supervisors with advice on safe processes and appropriate footwear, and we distributed anti-slip devices to employees. We also reinforced the need for team leaders to make mandatory on-route observations.

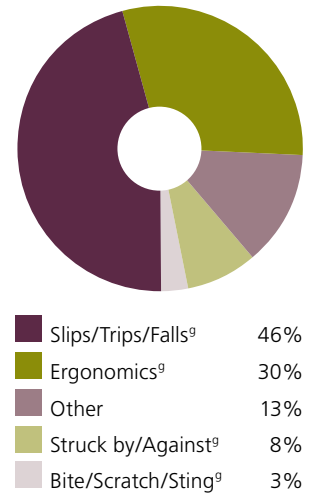
CONTINUING TO BUILD A SAFETY CULTURE

To help us continue to build a comprehensive, integrated and sustainable health-and-safety management system and measure our improvement, we enlisted the services of an independent third party to complete health-and-safety compliance and management system audits at 35 of our work sites. The results include scores on various elements based on the British Standard Occupational Health and Safety Assessment Series 18001 (BS OHSAS). We also introduced special investigation tools to help us determine the root causes of slips, trips and falls as well as ergonomic-related injuries, and worked to improve our capability to analyze our health-and-safety data. A better understanding of this data will ensure focused strategies in the future.

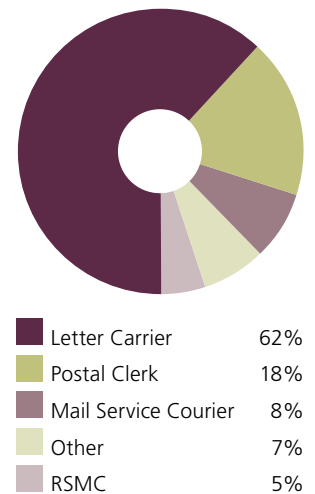
Key achievements in 2008 include:

- ▶ Carried out safety audits at 35 locations.
- ▶ Developed comprehensive accident-investigation tools such as tips, guidelines and processes for two of our most common types of injuries.
- ▶ Designed new safety-leadership criteria for all management levels, including supervisors.
- ▶ Created an ergonomic scoring index to identify top risks and focus on solutions.

2008 LOST-TIME ACCIDENTS⁹ BY TYPE



2008 LOST-TIME ACCIDENTS BY WORK GROUP



- ▶ Delivered an extensive slips, trips and falls campaign.
- ▶ Introduced an extensive dog-bite prevention campaign, which included partnerships with the Canadian Federation of Humane Societies and the Canadian Veterinary Medical Association.
- ▶ Distributed 14,000 anti-fatigue mats.

In 2009, we intend to carry on working to make safety inherent to our culture. We will continue to coach managers, superintendents and supervisors in safety leadership. We will also build accountability for safety into scorecards for all management, make hazard identification and control a priority, and investigate all accidents to address root cause. Safety will become integrated into everything we do every day.

HEALTH-AND-SAFETY TRAINING

In 2008, we spent nearly \$12 million on health-and-safety training. We conducted approximately 250,000 hours of safety training and provided courses and workshops to around 30,000 new and existing front-line employees and some 2,000 team leaders. Health-and-safety courses and workshops conducted in 2008 included:

- ▶ Safe lifting
- ▶ Employee health and safety
- ▶ Managing health and safety
- ▶ Safe operations
- ▶ Dangerous goods

FATALITIES

	2008	2007	2006
Canada Post Employees	1*	1	1
RSMC Helpers ⁹ , Ergonomic Assistants ⁹ and Replacements ⁹	0	0	2

* A second fatality is still under investigation

LOST-TIME ACCIDENTS

	2008	2007	2006
Accidents (excluding RSMCs)	4,277	4,378	4,016
RSMC Accidents	230	210	231
Total	4,507	4,588	4,247

LOST-TIME ACCIDENT FREQUENCY RATE⁹ COMPARISON (PER 100 FTE* EMPLOYEES)

	2008	2007	2006
Canada Post (excluding RSMCs)	9.3	9.3	8.6
UPS ¹	–	2.4	2.6
TNT (Netherland's Postal Operator) ²	2.9	3.2	3.1
Deutsche Post (Germany) ³	6.6	6.3	6.9

* FTE = full-time equivalent

¹ 2006 and 2007 UPS Corporate Sustainability Report

² TNT Corporate Responsibility Report 2008

³ Deutsche Post DHL Sustainability Report 2009



A Healthy Workplace

While we are proud to have been able to maintain competitive benefits plans and generous retirement programs for decades, we recognize that concerted focus and support is crucial to the continued success of our Healthy Workplace programs. We must change our current business model if we are to safeguard our long-term financial sustainability while continuing to preserve the viability of our benefit programs, and protect the health and well-being of employees. We recognize that it might not be easy for all employees to accept and adapt to these changes, but we feel that they will lead to a more sustainable company and programs in the long term.

PREVENTION PROGRAMS

We have many different programs to support employees whether they are at work, not at work, healthy or sick. We believe that prevention programs that help employees who are well to stay well are as important as the programs that help them when they are sick. Our prevention and early-intervention programs and tools include personal health risk assessments, flu and cold prevention, nutrition counselling, on-site fitness facilities and discount programs at fitness clubs. Additionally, our Employee Assistance Program provides employees and their family members with company-paid confidential crisis counselling, information and referral services as well as direct access to experienced counsellors, social workers and psychologists. Access to these resources is provided through our Healthy Workplace website.

DISABILITY MANAGEMENT

We dedicated much of 2008 to building the foundation for a solid and stable end-to-end disability-management program, and assessing how effective we are at delivering it. We introduced our new Short-Term Disability Program (STDP), which ensures through early involvement that all employees in need will be

better served. We also developed a disability-management roadmap that will ensure consistent application of assistance to all employees, enabling them to return to work and healthy living sooner.

Disability programs

Research shows that the longer an employee who is ill or disabled is away from work, the less likely he or she is to return to work. Our new Short-Term Disability Program, which is managed by an independent disability-management provider, provides early support of any illness-related absence. Through early intervention, the program helps discover what is preventing employees from returning to work and assess how we can best support them to return safely to productive work. Only approximately six per cent of sick employees will require long-term disability; more than 90 per cent will return to work within 15 weeks.

Measuring effectiveness

In November 2008, we initiated a Consensus Based Disability Management Audit™ of our current disability-management practices. The audit was conducted by the independent third-party National Institute of Disability Management and Research™ (NIDMAR) with the aim of giving us a snapshot of our current programs' effectiveness and pinpointing ways in which we can improve them. With a long-term labour-management and multi-party commitment to disability management in the workplace, NIDMAR is supported by an endowment fund created through contributions from federal and provincial governments, major private corporations, and public organizations. Using consensus-based evidence from management and labour, the audit tool objectively measures and evaluates disability-management-program performance against international best practices. The audit tool can also be used to monitor effectiveness and highlight areas needing improvement.

68%

Our score in first independent audit of our disability-management programs

51%

Percentage of employees who took seven days of sick leave or less in 2008

50%

Probability of workers returning to work after an absence of between three and six months

25%

Percentage of employees who took two days of sick leave or less in 2008

We scored 68.2 per cent in our 2008 NIDMAR audit, which is considerably better than the Canadian average of 59.4 per cent. We also scored higher than the Canadian average in 12 out of 16 elements. While our score indicates that we have many of the elements of a best-in-class disability-management program, the audit also identified several areas in which we could improve. These areas include: integration of disability-management policies and procedures; improved joint union-management support and co-operation; a better understanding of the disability-management program by employees; and mechanisms to maintain absent workers' connections with their workplace.

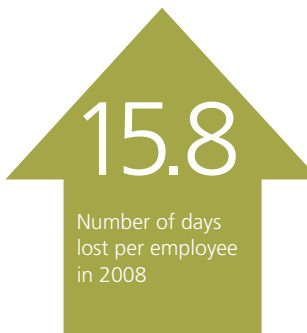
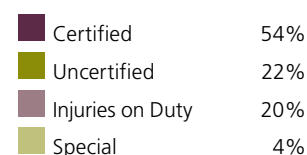
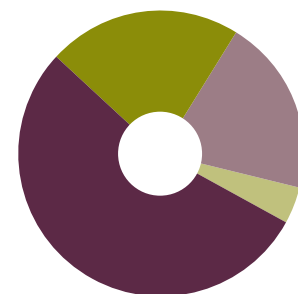
In 2009, we will focus on better integrating our programs and policies, developing joint union-management co-operation and improving

our employees' awareness and understanding of the benefits available to them and what to expect if they need to use any of them. We are also working toward a second audit and hope to achieve an 80 per cent score to qualify for IDMSC™ (International Disability Management Standards Council) certification.

ABSENCE MANAGEMENT

Absenteeism continues to be a significant challenge despite ongoing efforts. Days lost per employee (DLE) increased in 2008 and remain significantly higher than the national average. The number of days lost per employee in 2008 was 15.8, compared with 14.8 in 2007 and 14.3 in 2006. The overall national average in 2008 was 10 days. Seventy-six per cent of absences are related to sick leave and 20 per cent are related to injury on duty.

WORK ABSENCES BY LEAVE TYPE IN 2008



ABSENTEEISM – DAYS LOST PER EMPLOYEE (DLE)⁹

	2008	2007	2006
Canada Post	15.8	14.8	14.3
Other Sectors*			
Federal Administration	16.1	15.0	14.1
Unionized	13.9	14.0	13.6
Transportation and Warehousing	12.3	12.2	11.6
Overall – All Sectors	10.0	10.2	9.7

* Work Absence Rates 2007; Statistics Canada; Catalogue no. 71-211-XWE

ABSENTEEISM – AS A PERCENTAGE OF USUAL HOURS OF WORK

	2008	2007	2006
Canada Post	6.3%	5.9%	5.7%
Other Sectors*			
Federal Administration	6.5%	6.0%	5.7%
Unionized	5.5%	5.6%	5.4%
Transportation and Warehousing	4.9%	4.9%	4.6%
Overall – All Sectors	4.0%	4.1%	3.9%

* Work Absence Rates 2006, 2007, 2008; Statistics Canada; Catalogue no. 71-211-XWE

New attendance-management task force

In 2008, we formed a new attendance task force, which is supported at the highest executive levels, to ensure we have a dedicated focus and clear goals. We will tighten work practices, establish clear accountabilities and expectations, enhance reporting, and ensure consistent and timely efforts by management. Improved support for front-line supervisors remains a priority, and we are focusing on coaching, mentoring and establishing goals for improvement.

Recognition

Recognition is a key component to a positive workplace. The importance of attendance recognition to our senior executive is demonstrated by the 2008 operations scorecards for front-line managers, superintendents and supervisors. Our aim is to increase recognition of employee contributions through acknowledgement of good attendance, safety and productivity. Managers are assessed by how they recognize good attendance and comply with attendance-management practices.

We have also connected employee efforts with company profitability by extending the employee bonus program to almost all employee groups. The bonus is based on employees working together to achieve corporate performance, enabling employees to see the connection between their efforts, Canada Post’s sustainability and employee rewards.

MODIFIED DUTIES

One of our primary goals in 2008 was to improve on the number of employees who require modified duties and reduce the length of time spent on modified duties. We reviewed and updated our permanently partially disabled restrictions and significantly reduced the duration and incidence of claims for modified duties by helping employees return to full productive work.

	2008	2007	2006
Number of cases of modified duties* ⁹	6,015	6,671	6,213
Percentage of cases of modified duties following an absence	41%	50%	51%
Duration of modified duties (average number of days)	84	102	139

** For the purposes of this year’s report, “modified duties” is interchangeable with “transitional work” and refers to cases managed under Canada Post’s disability-management program. It does not include cases where an employee may be informally provided with modified duties on a local basis but outside the parameters of the disability-management program.*

Employee Engagement

2009 target: Increase the Employee Engagement Index from 56 to 58

Employee engagement continues to be a top priority and we remain committed to our goal of becoming the best place to work in Canada with every employee contributing to, and sharing in, our success.

In 2008, our efforts to achieve higher levels of engagement among employees remained focused on respect and fairness in the workplace, a dedication to employee health and safety, and a concerted effort to promote a face-to-face dialogue with employees. These efforts appear to be having a positive effect as indicated by the year-over-year improvements in our employee survey results. We met our target of an increase from 52 to 56 in the Employee Engagement Index, which is based on anonymous responses to several questions in the employee survey. The Index is a key component of our Corporate Team Incentive. We were also named as one of Canada's Top 100 Employers by Mediacorp.

EMPLOYEE ENGAGEMENT

2008		2007	2006
Target	Actual	Actual	Actual
56	56	52	48

INCREASED PARTICIPATION IN THE EMPLOYEE SURVEY

Participation in the annual employee survey increased in every region in 2008. At 55 per cent, participation was up about one-third from 2007.

EMPLOYEE ENGAGEMENT STRATEGY FOR 2008

Our employee engagement strategy continued to rely heavily on face-to-face communication with—and training of—front-line team leaders and employees. The President and several senior executives held 15 Regional Forums across the country in 2008, which were

attended by approximately 2,500 team leaders and more than 500 employees represented by the Canadian Union of Postal Workers (CUPW). This was the first time that employees represented by the CUPW participated in the Forums. Vice-presidents and general managers also made more than 600 visits to postal facilities, and met and talked with more than 10,000 employees. At the Forums and meetings, senior managers discussed our business results and plans for Postal Transformation. Employees were also encouraged to share their ideas about how the company's performance, specifically with regard to health and safety, the environment and customer satisfaction, can be improved. These major communication efforts help connect employees to the company.

Key achievements for 2008 include:

- ▶ Organized Regional Forums and executive meetings with a total of more than 12,000 employees.
- ▶ Provided training and mentoring to 1,944 managers and front-line team leaders to enhance leadership capabilities.
- ▶ Delivered safety training and continued to communicate with team leaders and employees to ensure that health and safety remains at the top of everyone's agenda.

Our strategy for 2009 is to build on the successes of 2008 and continue to create a workplace in which every employee feels respected and treated fairly. Regional Forums and executive visits in 2009 will help foster a collaborative dialogue and ongoing discussions between management and employees. Team leaders will be encouraged to continue to involve team members in decisions that affect their work and their workplaces. As well, we will continue to recognize and acknowledge the contributions that employees make in serving our customers and improving our business.

EMPLOYEE ENGAGEMENT BY THE NUMBERS

3 point increase in the respect and fairness score

5 point increase in the recognition score

7 point increase in the number of respondents who feel that team leaders and supervisors are doing a better job of responding to suggestions from employees

7 point increase in respondents who were satisfied with their involvement in decisions that affect their work

8 point increase in the number of employees who indicated that they are sufficiently informed about the company's performance results

Equity and Diversity

We remain committed to creating an inclusive and diverse workplace in which all employees are treated with fairness and respect. The principles of employment equity are fundamental to our hiring and promotion processes, and our Equality in Employment Policy.

We were recognized in 2008 as a best-in-class employer for our initiatives and continuing commitment to diversity. Key achievements included:

- ▶ Selected as a Top 100 Employer and a Top Diversity Employer, annual competitions that recognize employers across Canada who have developed exemplary employment and diversity initiatives and practices.
- ▶ Achieved the Gold Progressive Aboriginal Relations (PAR) program hallmark for our achievements in Aboriginal recruitment, community support and business development.

In 2008, we updated our Corporate Equity Plan, producing the 2008 to 2010 plan, which details hiring, training, retention, promotion targets and action plans for each of the four designated groups: women, members of visible minorities, Aboriginal Peoples and persons with disabilities.

We also worked with Aboriginal Recruitment Centres, the Canadian Human Rights Commission and the Canadian Union of Postal Workers (CUPW) to explore employment opportunities within the CUPW positions for Aboriginal Peoples. In 2008, we hired 17 new Aboriginal temporary employees into these positions.

To increase the hiring of visible minority and new immigrant candidates, and recruit in the challenging area of Rural and Suburban Mail Carriers (RSMCs), we collaborated with LASI World Skills Inc., an external immigrant support group. A job poster and an invitation to attend an orientation session were translated into five languages—Cantonese, Mandarin, Hindi, Tagalog and Arabic—and distributed by LASI to its members. The sessions were well attended and 24 candidates who attended the information session are currently employed in Mail Service Courier, letter carrier or RSMC positions.

A major activity in 2009 will be to update our equity targets using the 2006 census data, which will be available to Canada Post in March 2009. Our equity results and gaps will then be recalculated against this new data. It is expected that with the increase in the visible minority and Aboriginal population in Canada, our equity gaps will increase over current levels. We will also update and communicate the goals and objectives of the 2008 to 2010 Corporate Equity Plan accordingly.

PERCENTAGE-POINT INCREASE IN OUR WORKFORCE REPRESENTATION RATES FROM 2000 TO 2008

	%
Women	8.8
Aboriginal Peoples	0.3
Persons With Disabilities	0
Visible Minorities	1.6



DIVERSITY BY THE NUMBERS

OVERALL WORKFORCE

	2008	2007	2006	Canadian Labour Market Availability ¹
Women	49.2%	48.9%	48.4%	49.6%
Aboriginal Peoples	1.9%	1.8%	1.8%	2.5%
Persons With Disabilities	3.6%	3.7%	3.7%	4.1%
Visible Minorities	10.8%	10.5%	9.7%	13.0%

¹ Based on Government of Canada Census data, 2001

SENIOR MANAGEMENT¹

	2008	2007	2006	Canadian Labour Market Availability ²
Women	31.2%	25.5%	22.7%	25.1%
Aboriginal Peoples	0.9%	1.8%	0.9%	2.5%
Persons With Disabilities	2.8%	2.7%	2.7%	2.1%
Visible Minorities	3.7%	3.6%	4.5%	8.2%

¹ General Manager and above

² Based on Government of Canada Census data, 2001

Human Rights

We believe that managing conflict is inherent to managing change and a necessary core competency if we are to remain sustainable. In 2008, we reduced our number of formal complaints under the Canadian *Human Rights Act* by 33 per cent, far exceeding our target of 10 per cent. We achieved this reduction by developing complaint-investigation and conflict-resolution capabilities, and continuing to promote the advantages of internal expedited processes. As a result, many cases that might have proceeded to a formal complaint in previous years were handled through these enhanced internal processes in 2008.

Our formal investigator-training program was finalized and delivered to all of our human rights practitioners. The training program was developed and delivered in collaboration with the Canadian Human Rights Commission (CHRC). We also developed standardized internal processes and upgraded our complaint-tracking system.

A higher number of internal complaints alleging discrimination under the Act were submitted in 2008 than in 2007. Disability and Sex, which continue to be the most cited grounds of discrimination, represented approximately 57 per cent of the total number of complaints. Complaints based on Race, National or Ethnic Origin, Colour and Religion more than doubled over 2007. In 2009, we will conduct an analysis and review measures to address this sudden increase.

Our major challenges in 2008 were the growing number of complaints we received about stress and mental-health issues, the continuing need to focus on accommodating the large number of employees with disabilities, and ongoing complaints of conflict as a result of alleged bullying and harassment.

FORMAL HUMAN RIGHTS COMPLAINTS⁹

	2008	2007	2006
Sex	4	9	9
Disability	38	55	54
Race	6	6	7
National or Ethnic Origin	2	3	11
Colour	3	3	5
Religion	2	3	3
Marital Status	0	6	1
Age	1	2	7
Sexual Orientation	0	3	3
Family Status	1	3	1
Pardoned Conviction	0	0	0
Retaliation	1	2	5

INTERNAL HUMAN RIGHTS COMPLAINTS¹

	2008	2007	2006
Sex	97	91	47
Disability	80	62	39
Race	50	24	28
National or Ethnic Origin	25	12	16
Colour	19	7	12
Religion	13	7	8
Marital Status	3	3	5
Age	5	10	4
Sexual Orientation	14	6	3
Family Status	3	13	2
Pardoned Conviction	0	1	0
Retaliation	2	2	0

	2008	2007	2006
Formal Human Rights Complaints	47	70	88
Internal Human Rights Complaints	264	219	139
General Complaints of Harassment	260	317	Not formally tracked

PLANS FOR 2009 INCLUDE:

- ▶ Ongoing improvements in the management of disability to reduce complaints related to accommodation
- ▶ Revised human rights training for team leaders to prevent and resolve employee complaints and disputes
- ▶ Continued partnership with the CHRC to further develop internal interest-based resolution processes
- ▶ Implementing action plans to update our Workplace Violence Prevention and Protection Policy and programs to meet recent changes to the Canada Labour Code

¹ Internal complaints are submitted by employees to human rights coordinators in each region. If an employee is not satisfied with the outcome of an internal investigation, he or she can submit a formal complaint directly to the Canadian Human Rights Commission. Employees can also file a complaint directly to the Human Rights Commission without first submitting an internal complaint.

Note: The total number of grounds exceeds the total number of complaints because some complaints can be filed on more than one ground.

Grievances

At Canada Post, our goal is to promote a high-performance, harmonious workplace in which employees are treated fairly and feel valued. We try to deal with problems in a non-adversarial way and before they escalate. We attempt to do this by fostering a constructive culture in which issues can be aired early and resolved in a spirit of collaboration around the common goal of our future success.

However, despite our best efforts, we continue to receive a very large number of grievances when compared to other large Canadian unionized enterprises. Internal research recently highlighted that our total number of grievances per 1,000 employees per year is currently at more than 360, compared with lows of less than 40 to highs of 130 in other similar, highly unionized Canadian organizations.

GRIEVANCES

	2008	2007	2006
Filed	21,976	20,778	17,244
Total Outstanding	38,878	32,046	26,457

Most of the grievances and complaints are submitted by the largest of our unions and bargaining agents, the Canadian Union of Postal Workers (CUPW). A grievance is a specific complaint or formal notice of employee dissatisfaction related to an alleged violation of a collective agreement.

Approximately 20,478 grievances were filed by the CUPW in 2008, an increase of five per cent over 2007. The main issues for grievances remain reprimand letters, overtime and attendance. By the end of 2008, the backlog of all outstanding grievances totalled 38,878. Resolving such a large number of grievances remains an extremely costly and time-consuming process that also affects workplace morale and productivity.

MAKING THE CONNECTION BETWEEN A CONSTRUCTIVE CULTURE AND SUPERVISOR TRAINING

To help our team leaders find positive, proactive solutions to problems and foster a positive workplace environment, we trained 180 front-line leaders in conflict resolution in 2008. Additionally, a full day of conflict-resolution training is included in our CORE leadership training, which was taken by 543 employees in 2008. Our team leader's guide to labour relations also helps our supervisors, many of whom are new, to understand our often complex collective agreements. To simplify and clarify the language of the collective agreement with our largest union, we established a joint union-management Clear Language Committee in 2007. To assist supervisors, we also create a number of "How To" guides, which are posted on the SuperVISION website.

GRIEVANCES THE NUMBERS

- ▶ **\$12 million:** The approximate cost to process and settle grievances in 2008
- ▶ **38,878:** The total number of grievances for all bargaining units outstanding at the end of 2008
- ▶ **15:** The number of policy grievances filed in 2008
- ▶ **5%:** The increase in the number of grievances over 2007

Attraction and Retention

Like many organizations, Canada Post faces the challenge of creating and retaining an engaged and highly skilled workforce in the face of an aging population, a wave of baby-boomer retirements, and a labour market that is expected to tighten again once the economy turns around. An estimated 32,000 full-time employees—more than 50 per cent—will leave Canada Post by 2017, the majority through retirement. These departures will affect every area of our business, and will present us with opportunities and challenges.

Mail volumes are declining and the Postal Transformation initiative will lead to increased automation of mail processes. In some areas, voluntary departures will enable us to reduce the size our workforce, while allowing us to respect the job-security provisions of current collective agreements. We recognize that it's crucial for us to take advantage of retirements, where appropriate, through automation and

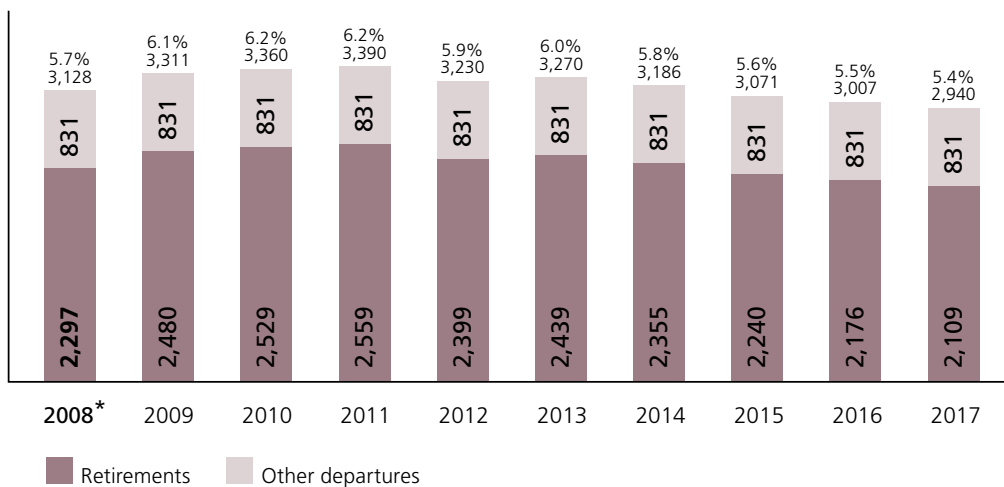
other business improvements that capitalize on attrition. A high rate of attrition also means more career opportunities for remaining employees. Our objective is to continue to build our company as a place where people can pursue careers and not just jobs.

However, this high number of retirements also presents challenges. Despite the current economic downturn, the future labour market is expected to be very competitive, particularly for highly skilled workers. A high rate of attrition means lost knowledge, skill and experience, increased recruitment and training costs, and reduced productivity while employees learn their new jobs. We must work to attract and retain employees and continue to be an employer of choice. Attracting new workers is made easier by word-of-mouth endorsements, and protecting our reputation as a top Canadian employer is critical.

ATTRACTION AND RETENTION BY THE NUMBERS:

- ▶ **32,000:** The number of full-time employees who are expected to leave the company in the next ten years—more than 50 per cent of our full-time workforce
- ▶ **48:** The average age of our employees
- ▶ **38:** The average hiring age
- ▶ **7.3%:** The industry average annual turnover rate
- ▶ **1:** The percentage of our workforce that is aged 24 and under

FULL-TIME ATTRITION FORECAST RETIREMENTS AND OTHER DEPARTURES




* Forecast, including RSMC

Note: 31,893 departures are expected by 2017 (including 23,583 retirements and 8,310 other departures). Forecast is based on retirement rates over the five-year period 1996-2000 and six-year period 2002-2007, and an average number of departures from 2003 to 2007; includes only full-time, regular employees from a base of 54,609 in January 2008. Figures include Rural and Suburban Mail Carriers (RSMCs), former contractors who became employees in 2004.

Prepared by Workforce Management, 2008

1.5%
Annual employee turnover rate

+50%
Percentage of full-time employees who are expected to leave in the next 10 years

A woman with dark hair, wearing a red blazer and a necklace, is seated at a table in a meeting. She is looking towards the camera with a slight smile. The background shows a modern office interior with a large window and a dark structure.

A HIGH RETENTION RATE

In past years, we have typically had a good employee-retention rate, helped in part by our generous wages and benefit packages. Our annual employee turnover rate is 1.5 per cent, much less than the comparable industry average of 7.3 per cent. However, our large number of impending retirements makes it crucial for us to have attractive employment offers, particularly when it comes to attracting younger workers. One other challenge we face as an employer is to build a more diverse workforce through proactive recruitment initiatives while respecting collective agreements.

In 2008, we embarked on a number of initiatives to help us attract and retain employees, including:

- ▶ Introducing eRecruitment, which makes it easier for external job seekers to apply for jobs online by creating and editing career profiles, and receiving career alerts when new jobs that meet their criteria are posted. In July 2009, employees will be able to use this technology for internal recruitment opportunities.
- ▶ Acquiring new tools and introducing new processes that will significantly improve talent segmentation and succession planning.
- ▶ Raising our profile at community job fairs, universities and colleges.
- ▶ Engaging external hiring firms to help us fill positions at all levels.
- ▶ Establishing mentoring and training programs, including Leading Edge, to promote coaching skills and employee engagement.
- ▶ Using executive- and leadership-development programs to increase the effectiveness of our management team.

SPOTLIGHT

Building a “safety first” culture

At Canada Post, preventing accidents and injuries to employees is a top priority. Despite a corporate focus on safety at the highest levels, we continue to have a very high employee accident rate. We are determined to reduce the number of accidents that result in lost time to a level in line with that of other postal administrations, and transportation and logistics organizations.

STARTING AT THE TOP

We believe that safety leadership begins at the top, and that executive-level support and focus is crucial to the success of any safety program, which is why we will create a new Health and Safety Task Force in 2009. The task force will be chaired by Canada Post’s President and CEO, Moya Greene, and include Gilbert Barrette, the Corporation’s new General Manager of Workplace Safety and Health. The task force will focus on contributing factors to accidents and injuries, and ensure that we build, promote and foster a safety culture.

In 2008, we added safety-leadership standards to every senior manager’s performance scorecard. In 2009, we will include the standards on the performance scorecards of managers and supervisors at all levels. The standards incorporate safety-leadership activities that encourage safe behaviour, drive health-and-safety efforts in the workplace, and continue to build a safety culture at Canada Post. In 2009, we will continue to train and mentor front-line supervisors to think “safety first” at all times and to integrate safety into everyday work practices. We will continue to ensure that on-route and workplace observations are made on a regular basis to identify and control hazards before accidents happen.

SLIPS, TRIPS AND FALLS

In 2008, slips, trips and falls accounted for 46 per cent of all lost-time accidents at Canada Post. Many of our employees are delivery personnel whose work takes them to places over which we have no control such as public roads, and private paths and driveways. As we can’t directly control the safety of these environments, we work to educate and influence those who do—our residential customers and commercial clients. Winter hazards, such as snow and ice, present particular risks to delivery personnel who must negotiate icy walkways, steps and paths many times every day.

Last year, we stepped up our efforts to raise awareness and improve the safety of not only our delivery personnel, but also anyone else who goes in and out of affected buildings. We launched our most extensive multimedia Slips, Trips and Falls campaign ever—four times larger than in previous years. We sent out more than two million flyers to Canadian households and ran ads and public-service announcements on local TV and the radio. Banner advertisements reinforcing the dangers of icy walkways were also placed on major weather websites across Canada, including The Weather Network™. The goal of the campaign was to remind Canadians of how crucial it is to everyone’s safety that they should keep their walkways clear of snow and ice.

Additionally, a new Investigation Supplement for Slips, Trips and Falls has been developed and distributed to supervisors, who are required to investigate all accidents. This step-by-step guide helps supervisors capture the information needed to understand the root causes of slips, trips and falls, which will lead to effective preventative measures and fewer injuries.



TRANSFORMING SAFETY

Ergonomics and safety improvements are key objectives of the Postal Transformation initiative. Health-and-safety experts are involved in all aspects of planning and design as well as in developing work methods and procedures, conducting pilots and operationalizing changes. We believe that employees will benefit from improved mail-processing and work-area safety and ergonomics. All new equipment will also be assessed from a health-and-safety perspective.

Approximately 30 per cent of all lost-time accidents at Canada Post are due to ergonomics, which can be anything from lifting lettertainers to the manual handling of mail items. The Postal Transformation initiative will help improve safety in a number of ways, including mechanizing mail sequencing and automating the collating and sequencing of Unaddressed Admail items. The ergonomically designed A62 Vertical Sort Letter Carrier Workstation, for example, will reduce the time it takes to manually sort mail. New lettertainers or LetterFlatainers (LFT) have been designed with ergonomics, health and safety in mind. The Postal Transformation team has worked with leading suppliers to combine the best design elements and create new LFTs with built-in rails and ergonomically designed handles that make lifting easy. The LFTs are also completely recyclable.

“Keeping our people safe must be a priority for all of us. We have a moral obligation to do everything in our power to reduce accidents, and we must take ownership and be accountable.”

Moya Greene, President and CEO, Canada Post

SUCCESSFUL SAFETY

April 11, 2005, was the last time that any of the 29 letter carriers at the St. James letter carrier depot in Winnipeg suffered an on-the-job accident that led to time off work. Since then, through the icy sidewalks and snow banks of winter, and the dog bites and bee stings of spring, summer and fall, St. James has been accident free.

The St. James letter carriers have achieved this remarkable record because they're serious about safety—they think safety first all of the time, they know their routes and they look out for one another. They also ensure that their supervisor knows about any potential safety hazards they encounter when they are delivering the mail.

The supervisor responds quickly when made aware of a potential hazard by doing an immediate on-site inspection. Depending on the results of that inspection, the animal-control department might be called or a homeowner might be notified of a potential hazard.



OUR COMMUNITIES

Connecting our Corporation and Canadian communities

BEING ON THE GROUND IN VIRTUALLY EVERY COMMUNITY ACROSS OUR COUNTRY IS A UNIQUE PRIVILEGE—AND RESPONSIBILITY—FOR OUR COMPANY.

In 2008, we continued to act ethically and responsibly, and to work for the benefit of Canadian communities and contribute to their quality of life. We recognize that strong thriving communities benefit all Canadians and Canadian companies—including Canada Post. From support for the Canada Post Foundation for Mental Health, the Canadian Freestyle Ski Association

and United Way to reducing greenhouse gas emissions, registering new buildings for Leadership in Energy and Environmental Design (LEED™) certification and improving the health and safety of employees, we are proud to contribute to Canadians, Canadian society and the environment.

CHALLENGES:

- ▶ Competing for charitable donations as the country weathered the economic downturn

ACHIEVEMENTS:

- ▶ Raised more than \$1 million for the Canada Post Foundation for Mental Health, surpassing our 2008 target
- ▶ Improved awareness of mental-illness issues among our employees and contributed to greater general awareness among all Canadians
- ▶ Raised more than \$2.5 million for United Way through employee and corporate donations

Mental Health

It's a fact. One in five Canadians will suffer from a mental illness at some point in their lives, while many more will be touched by the illness of a family member or friend. But, the truth and the tragedy is that many of those who are diagnosed with a mental illness feel that they must suffer in silence. We have established ourselves as a mental-health champion among Canadian businesses by becoming the first major corporation to adopt mental health as its cause of choice.

In 2008, we began to make significant strides toward raising awareness of the scope, scale and severity of the impact of mental illness on Canada and Canadians. In the spring, our Board of Directors approved the formation of the Canada Post Foundation for Mental Health, and set ourselves a target of raising \$1 million in funds for the Foundation by the end of the year.



**Canada Post
Foundation
for Mental Health**

With support from our company and employees as well as from Canadian businesses and the public, we not only reached our financial goal, but also experienced something without precedent—the coming together of employees at all levels and across all facilities as individuals and teams to embrace mental illness, their very own cause of choice.

In 2009, we will continue to raise the bar on fundraising and awareness and, for the first time, the Foundation will begin disbursing funds to those in need. The Foundation will have its granting process and application process on its website in April 2009 and expects to start handing out funds by the end of summer. In 2009, the focus will be on grants that increase the capacity to deliver front-line services in communities to those suffering from mental illness and programs that assist families dealing with mental illness.

ESTABLISHING STRONG FUNDRAISING CHANNELS

During its first year of operation, the Foundation found itself competing for charitable donations at a challenging time—as the country began to brace itself against an economic downturn. Even so, the Foundation was able to engage three distinct channels to help reach its \$1 million target. These channels included our employees, our retail network and a dedicated website.

Employees

When our President and CEO Moya Greene officially announced the formation of the Canada Post Foundation for Mental Health on June 18, 2008, employees immediately began getting involved by organizing fundraising events of their own. Creative thinking, dedication and hard work combined to raise awareness and funds for the cause. Events ranged from the conventional to the unconventional, including lunch-hour head shaving, fines for using a PDA during presentations, and even an old-fashioned ice-cream social. Pizza lunches, 50/50 draws, clothing sales, silent auctions and many other initiatives helped raise money and make employees feel engaged and involved.



Retail

For a period of six weeks, from October 1 through November 17, 2008, staff in more than 2,900 post offices asked customers the following question at

point of sale, "Would you like to donate a dollar to the Canada Post Foundation for Mental Health?" The response to the question was overwhelmingly positive, with customers donating a total of \$522,000 for

A CHAMPION IS BORN: THE CANADA POST FOUNDATION FOR MENTAL HEALTH

Guided by an independent board of trustees, the Canada Post Foundation for Mental Health is committed to:

- ▶ Supporting front-line organizations that serve patients, consumers and caregivers
- ▶ Eliminating the stigma associated with mental illness
- ▶ Ensuring mental health issues take their rightful place in our country's health and social policies

+\$1M

The amount raised for the Canada Post Foundation for Mental Health through the collective efforts of Canada Post, its employees and the public

the cause. As donations could only be accepted in post offices where an automated point-of-service system was in place, not all locations were able to participate, resulting in missed opportunity. In 2009, the automated point-of-service system will be implemented in the majority of our post offices across the country, making the act of giving more convenient to a larger market.

On October 6, 2008, as part of its pledge to raise awareness and funds for mental health, Canada Post issued a PERMANENT™ domestic rate semi-postal Mental Health stamp. As a semi-postal stamp, the cost of the stamp includes a surcharge in addition to the issue's face value. In the case of the Mental Health stamp, a surcharge of \$1 was added to the booklet of 10 stamps, with proceeds going to the Foundation.

Demand for the stamp has been strong. In 2008, combined sales raised \$250,000 for the Foundation.

The Web

In 2008, the Canada Post Foundation for Mental Health website was designed, built and integrated into our existing corporate website. The site caters to the general public, volunteers, contributors, media, employees and other mental-health organizations seeking information about the Foundation. Resources and tools include the granting process and

application form, news and events, and support and contact information. The site leverages a third-party (www.canadahelps.org) donation tool, which enables individuals and businesses to contribute easily, quickly and securely online.

INITIATIVES TO SUPPORT MENTAL HEALTH

In 2008, we were involved in several other programs, events and initiatives to support mental health. Some of these are described here.

Mental Illness Awareness Week Sponsorship

In October 2008, we were, once again, the Platinum Plus Sponsor of Mental Illness Awareness Week (MIAW) from October 6 to 10, providing Canada Post with a valuable opportunity to communicate its corporate cause of choice and commitment to mental health.

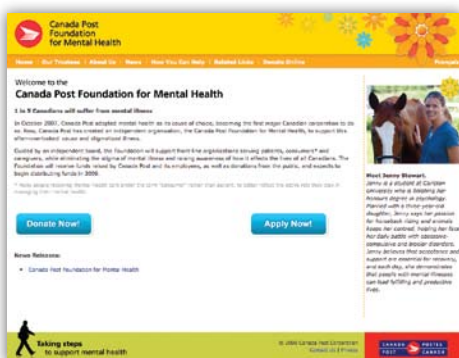
During MIAW, employees were invited to attend seminars and visit partner-sponsored kiosks, where employees could learn more about mental illness and wellness. The week concluded with the Royal Ottawa Volunteer Association (ROVA) Comedy Lunch 'n Laugh, where many people discovered that laughter truly is the best medicine.



STAMP: MENTAL HEALTH

This is the first semi-postal stamp issued by Canada Post in more than a decade.

Proceeds from the \$1 surcharge go to the Canada Post Foundation for Mental Health, which uses the funds to increase the capacity to deliver front-line services to those affected by mental illness and to support families dealing with mental illness. The design for the commemorative stamp was inspired by a report co-authored by Michael Kirby, Chair of the Mental Health Commission of Canada.



48,909
The number of visits to the new Canada Post Foundation for Mental Health website

Les Impatients

Montréal-based Les Impatients offers art-therapy workshops to help people with psychiatric disorders, and hosts “Parle-moi d’amour” (“Talk to me of love”), an annual benefit art exhibition and auction. Les Impatients also raises funds and awareness by publishing “Mille mots d’amour” (“A thousand words of love”), a boxed set of love letters and poems written by Impatients as well as renowned authors and actors.

Mood Disorders Association of Ontario – MAD About You Gala

In February, we were again the sponsor of this annual event, a major fundraiser for the Association’s programs and services made available to thousands of people.

Alberta Mental Health Board – Annual Research Showcase

We were a Silver Sponsor of this conference, which focused on mental health in the workplace, mental illness and addiction, child and adolescent mental health, and effectiveness of mental health services and the system.

TAKING STEPS TO SUPPORT EMPLOYEES

In 2008, 32 per cent of our disability claims were related to mental health problems, and 8.55 per cent of our drug plan spending for employees, retirees and family members was for depression and mental disorders. In total, more than \$6 million were spent on drugs for depression and mental disorders. With a commitment to cultivating a mental-health-friendly workplace, we undertook initiatives and programs to raise awareness and open the channels of communication for employees touched either directly or indirectly by mental illness. Additionally, our employee magazine, Contact, became a major conduit of mental-health-related news and articles to help promote a mental-health-friendly workplace.



A Canada Post-published booklet, called *Understanding Mental Illness*, was included as a Contact magazine insert and sent to all of our employees in 2008.

Working in collaboration with the Conference Board of Canada, we also produced a team leaders’ handbook containing fundamental information about how to recognize when an employee has mental-health-related problems, and how to help these individuals on the job and upon their return to work after an absence.

We took steps online as well, implementing a “Your Mental Health” page on our intranet site. This engaging and interactive site, which includes tutorials for managers, free screening tools, useful links to other valuable resources and more, will continue to be enhanced in 2009 and beyond.

A FINE THING

During the Annual Sales College for Enterprise Sales conference, individuals returning late from lunch or a break, caught using PDAs or chatting during presentations were fined. Immunity passes were also available for sale, with all proceeds going to the Canada Post Foundation for Mental Health.



Literacy

Literacy has been an area of importance and involvement for us for a long time. We believe that literacy and education are crucial to personal and economic growth, and we remain a committed supporter of literacy initiatives across the country.

In 2008, for the second year in a row, we entered into a partnership to participate, as the Presenting Sponsor, in the Canwest Canspell™ 2008 National Spelling Bee. This competition culminated with the Washington Scripps Spelling Bee in Washington, D.C. The Spelling Bee celebrates excellence in academic achievement and encourages positive study habits. In 2008, some 225,000 students in 1,650 schools participated in the entry levels of the competition, with 21 heading to Washington, D.C. We were also proud to continue our support for La Dictée P.G.L., which does an excellent job of promoting the French language across our country. More than 1,200 schools and 200,000 students from across Canada participated in La Dictée P.G.L. in 2008.

Additionally, the Canada Post Community Literacy Awards recognize the accomplishments of adults who have learned to read and write, and the individuals and organizations that helped them to succeed. The Awards encourage thousands of adult Canadians to improve their reading and writing skills, and inspire them to reach their personal literacy goals. In 2008 we recognized the achievements of 16 individuals.

We are committed to helping young people continue their education. The Canada Post Aboriginal Education Incentive Award celebrates and rewards the hard work and determination of Aboriginal and Métis people who have overcome personal, economic or social adversity to return to high school, trade school, college or university. In 2008, 16 recipients were awarded a cash prize of \$1,000 each. Our

advocacy for learning among young people is important to us, and we also provide direct educational support to the children of full- and part-time employees through our Scholarship Program.

INITIATIVES TO SUPPORT LITERACY

In 2008, we were involved in several other programs, events and initiatives that support literacy. Some of these are described here.

Santa Letter-Writing Program

Now in its 27th year, the Santa Letter-Writing Program's volunteers received and replied to more than 1.4 million letters and 63,000 emails from children around the world and in languages as diverse as German, Cree, Inuktitut and Chinese.

World Literacy of Canada Write to Read Contest

This bilingual, national literacy contest invites students from Grades 4 to 8 from across the country to submit the middle and conclusion of a story whose first paragraph has been penned by a renowned author.

Les Correspondances d'Eastman

We have been a strong supporter of this event for the past five years. The art of letter writing and the fun of reading come alive for four days every August in the small village of Eastman, in the Eastern Townships of Quebec. The 2008 Les Correspondances d'Eastman, which had "travel" as its underlying theme, drew big crowds to events such as literary discussions and writing workshops. One of the highlights was a letter-writing contest that encouraged participants to write and mail letters to loved ones. As many as 1,300 letters were sent.



GUIDE DOGS STAMP

On April 21, 2008, we issued a commemorative stamp to celebrate the contributions made by guide dogs. The stamp design incorporated Braille to recognize one of the groups of people that rely on guide dogs. This was the first time that Braille had been used to convey rates on a Canadian stamp. This stamp also received a Premier Print Award, which was given by the Printing Industries of America Inc. Graphic Arts Technical Foundation to Canada Post and Lowe-Martin, the stamp's printer. This award recognizes the creativity and craft required in the Braille printing of the stamp.

Donations and Sponsorships

We remain committed to dedicating one per cent of pre-tax profits to non-profit and registered charitable organizations across the country. This is a widely accepted, standard target and is based on a rolling five-year average of pre-tax profits for The Canada Post Group. This donation total incorporates cash and in-kind contributions.

In 2008, we surpassed this target and were proud to dedicate 1.6 per cent of the Group's profits to non-profit and registered charitable organizations.

We devoted approximately \$400,000 in donations to 241 different registered charities and not-for-profit organizations last year, including a donation of \$150,000 to the Canada Post Foundation for Mental Health. This represents an eight per cent increase over 2007. A further 160 organizations received donations through our employees volunteering time.

As well, we devoted more than \$2.7 million to sponsorships in 2008 with activities focused mainly on the Canada Post Freestyle Team and literacy programs such as the Canwest Canspell National Spelling Bee and La Dictée P.G.L. In addition to these sponsorships, we also became an Official Supplier to the Vancouver Organizing Committee for the 2010 Olympic and Paralympic Winter Games (VANOC).

We maintain openness and accountability in all of our charitable efforts, and all submissions for donations or sponsorships must meet strict eligibility criteria, as specified in our donations policies and practices. Any contribution up to \$250,000 must be approved by the President and Chief Executive Officer, while contributions of \$250,000 and more must be approved by the Board of Directors. A partial list of organizations supported by Canada Post in 2008 is included on page 72 of this report.

UNITED WAY

Once again in 2008, we were proud to receive a "Thanks a Million" award from United Way. We have received this award, which recognizes organizations that raise \$1 million or more, every year since its inception. In 2008, we raised \$2,627,043 for the charity through employee and corporate donations.

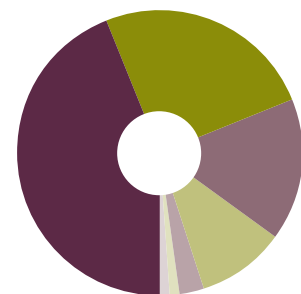
THE CANADIAN FREESTYLE SKI ASSOCIATION

Three years into our partnership with the Canadian Freestyle Ski Association (CFSA), our support continues to provide essential funding for the training activities of more than 2,000 freestyle skiers in Canada, from beginners as young as six to elite athletes headed for the podium. As the Title Sponsor of Canada's freestyle ski team and all Canadian freestyle ski events, we remain committed to the athletes, the team and the sport.

THE VANCOUVER ORGANIZING COMMITTEE FOR THE 2010 OLYMPIC AND PARALYMPIC WINTER GAMES (VANOC)

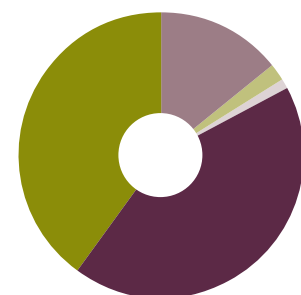
In 2008, we entered into an initial agreement with VANOC that recognized Canada Post as an Official Supplier to the Vancouver 2010 Olympic and Paralympic Winter Games. In this role, we are supplying VANOC with mail delivery services within Canada. This agreement, which is a natural extension of our partnership with the CFSA, will connect people across Canada and around the world, and help VANOC deliver the message and spirit of the 2010 Winter Games to the doorstep of every Canadian home. In January 2009, we also issued a series of stamps to commemorate the 2010 Winter Games and to celebrate and support Canadian athletes.

2008 DONATIONS⁹



Mental Health	44%
United Way	25%
Employee Community Involvement	16%
Environmental	10%
Social/Health/Education	3%
Literacy	1%
Others	1%

2008 SPONSORSHIPS⁹



Sports	43%
Literacy	40%
Community Involvement	14%
Mental Health	2%
Multiculturalism	1%

SPORTS OF THE 2010 WINTER GAMES AND VANCOUVER 2010 WINTER GAMES MASCOTS AND EMBLEMS

After the triumphs of the Beijing 2008 Olympic Games, Canadians are proud and excited that Canada will be hosting the Vancouver 2010 Olympic and Paralympic Winter Games. We're sharing in that excitement with 10 new stamps. The Sports of the 2010 Winter Games issue features five stamps that showcase the 2010 Winter Games' sports of curling, snowboard, freestyle skiing, bobsleigh and ice sledge hockey. The other five stamps feature the dramatic emblems and lovable mascots of the 2010 Winter Games.



Community Programs

Making charitable donations is just one way in which we show our commitment to being a socially responsible company; investing in community programs is another. We have a long and proud history of supporting communities across Canada.

We continued to support Canadian troops deployed overseas and their families and friends. For the third year in a row, we provided free delivery of parcels and letters sent from families and friends to deployed Canadian troops in Afghanistan and elsewhere overseas. The program, which runs over the holiday season from October to January, delivered nearly 23,000 parcels to troops in 2008, an increase of 115 per cent over 2007.

We also remain committed to the Progressive Aboriginal Relations (PAR) program. In 2008, we were honoured to win the PAR Gold Hallmark for Excellence in Progressive Aboriginal Relations. The award recognizes our leadership and sustainability in progressive Aboriginal relations as well as our continued commitment to support Aboriginal employees, communities and businesses across the country. Many programs, activities and initiatives supported our bid for a PAR Gold Hallmark Award, including:

- ▶ Celebrating National Aboriginal Day at head office and in the regions for the past 11 years.
- ▶ Maintaining partnerships with air and ground transportation contractors who help us provide services to every Aboriginal community across Canada.
- ▶ Appointing Robert Waite, Canada Post's Senior Vice-President, CSR, to be our champion of Aboriginal affairs.
- ▶ Retaining the services of an Aboriginal-owned information-technology company to provide support for our Postal Transformation initiative.
- ▶ Showcasing Aboriginal-themed commemorative stamps.

Other community initiatives supported by Canada Post are described here.

Festival Franco-ontarien

In 2008, for the third year in a row, we were proud to sponsor the Festival Franco-ontarien, an annual cultural event that takes place in our nation's capital. Now in its 33rd year, the three-day festival showcases activities and entertainment provided by Franco-Ontarians and Acadians as well as people from Quebec.

Manitoba Aboriginal Youth Achievement Awards

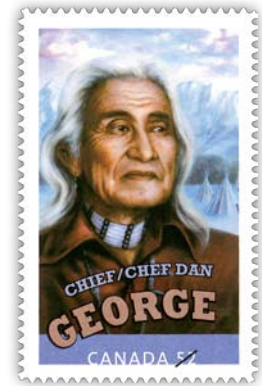
The Manitoba Aboriginal Youth Achievement Awards recognize the achievements of—and provide financial assistance to—young people who are role models for their peers. The Awards also bring the Aboriginal community together and encourage volunteerism. We have supported these Awards for the past ten years, and in 2008 provided two sponsorships of \$1,000 each.

Canadian Environment Awards

Created by Canadian Geographic Enterprises, the Canadian Environment Awards are Canada's most prestigious environmental awards. The achievements of more than 140 community-based environmentalists have received Canadian Environment Awards since they were launched in 2002. In 2008, we sponsored the awards for the fifth time.

Les Rendez-vous de la Francophonie

Now in its tenth year, the Rendez-vous de la Francophonie brings together francophones and francophiles in a celebration of the French language. In 2008, Rendez-vous de la Francophonie events included a spelling contest, which was open to more than 40 French-speaking communities across the country. The contest invited participants to mail in their entries to Canada Post for a chance to win \$1,000.



CANADIANS IN HOLLYWOOD: CHIEF DAN GEORGE

On June 30, 2008, we honoured the accomplishments of four performers who found fame and fortune in movie town with a second set of stamps dedicated to Canadians in Hollywood. One of the four was Chief Dan George, a 60-year-old bus driver who got his acting break as Ol' Antoine in the CBC series *Cariboo Country*. George went on to win Academy Award and Golden Globe nominations as well as the New York Film Critics Award and the National Society of Film Critics Award for his performance as Old Lodge Skins in the milestone American film, *Little Big Man*. Aboriginal-themed commemorative stamps, such as this, supported our bid for a PAR Gold Hallmark Award.

Employee Involvement

We are proud of the charitable efforts of our employees and we recognize that they can contribute significantly to positive social change in many ways.

The Canadian Postal Employee Curling Classic



For 42 years, employees across the country have gathered annually to compete in the Canadian Postal Employee Curling Classic. The 2008 event, which was held in Winnipeg, Manitoba, in early April, enabled approximately 800 employees from across the country and all levels of the company to meet and compete. The event donated \$3,000 on behalf of Canada Post employees to the Boys and Girls Clubs of Winnipeg in recognition of their support of, and counselling to, underprivileged children.

The International Postal Employee Hockey Tournament

Over the past 30 years, the International Postal Employee Hockey Tournament has grown into an event that now attracts more than 100 teams from across Canada and the northern United States. Initially open only to letter carriers, the Tournament now invites all Canada Post, Purolator and SCI Group Inc. employees to participate as well as employees from the United States Postal Service. The event raises money for local children's charities. In 2008, a donation of \$10,000 was made to Scouts Ontario.

Giving hope



In 2008, the Shepherds of Good Hope (SOGH) awarded employees in Ottawa with a plaque to thank them for their compassion and dedication. Over the past few years, several teams of employees have spent their Sundays at the SOGH on Murray Street in Ottawa organizing food and clothing, washing dishes, and helping to prepare, serve and clean up after the noon meal.

Part of the community



A strong sense of community is what makes Fort McMurray, Alberta, so special to the Canada Post employees who live and work there. In May 2008, employees gathered to participate in the Canadian Cancer Society's Relay for Life, a 12-hour overnight event in which team members take turns walking to raise money to find a cure. The team raised \$3,000. On July 1, 2008, 23 employees decorated a Canada Post step van with flags and balloons and entered it as a float in the Canada Day parade. During the parade, the employees walked beside the van and handed out candy.



YEAR OF THE RAT

In January, we celebrated the Lunar New Year with two stamps honouring 2008 as the Year of the Rat. This set of stamps completed our popular Lunar New Year series, which began in 1996.

A number of our employees joined Harvey Chan, the illustrator of the Year of the Rat stamp issue, and approximately 3,500 people who flocked to the Markham Civic Centre to participate in the annual Year of the Rat celebrations on February 9, 2008. Festivities included food stalls, a lion traditional dance, an eye-dotting ceremony and a fortune teller. Chan signed Year of the Rat souvenir sheets and our hard-working employees sold Year of the Rat stamp products, including uncut press sheets, official first day covers, and stamp and coin sets.

Our employees were also involved in Lunar New Year festivities and events in Vancouver, Edmonton and Ottawa.

SPOTLIGHT

Delivering from first mile to last

Collecting and delivering the mail in Canada puts considerable pressure on our environmental footprint. This is especially true in rural areas where the processing of often small amounts of mail and moving it to and from extremely remote locations takes a large fleet of vehicles and is very environmentally, financially and operationally costly. Collecting, processing and delivering large volumes of mail in cities and towns with high population densities presents different environmental challenges.

At Canada Post, we take our environmental responsibilities seriously. We have a substantial fleet of approximately 7,000 vehicles in addition to the more than 6,700 personal vehicles that are used by our Rural and Suburban Mail Carriers (RSMCs). In total, these vehicles consume a large amount of fuel and emit substantial greenhouse gases (GHGs). Concerns about climate change, air quality and the cost of fuel are driving many companies to take a hard look at their vehicle fleets, and we are no exception. However, most companies are not mandated by law to deliver to every address in Canada on a specific number of days a week.

Our business reality is that we have a universal service obligation that requires us to collect and deliver mail to every address in Canada, five days a week. Additionally, we deliver mail in the second largest country in the world and in what is sometimes an extreme climate, which precludes us from making use of more environmentally friendly vehicles such as bicycles or motorized scooters. Our challenge is to balance environmental concerns with operational realities.

BALANCING ENVIRONMENTAL CONCERNS AND OPERATIONAL REALITIES

Postal and courier companies, including Canada Post, have piloted a number of alternative-energy vehicles over the past several years, and testing continues. Testing has included vehicles powered by electricity, hydrogen, compressed natural gas and biofuels. However, to date, most postal companies have converted only a small proportion of their fleets. The reasons for this low conversion rate are many and varied:

- ▶ The automotive industry has not settled on a single viable alternative to gasoline and diesel engines.
- ▶ Many alternative technologies have significant limitations, including problems operating in harsh climates and a lack of fuelling, repair and maintenance infrastructure.
- ▶ Some viable technologies are either not yet commercially viable or not available in appropriate commercial vehicles at this time.
- ▶ New and emerging technologies tend to be more expensive.
- ▶ Alternative technologies might not be as “green” as they first appear. For example, electric cars must be recharged and the source of power for this might come from environmentally unfriendly sources.



Like other postal and courier companies, the vehicles in our fleet must meet specific operational requirements. The likelihood is that our fleet of the future will include a variety of different vehicles and technologies based on operational necessity. These vehicles will not only need to meet our specific operational requirements and climate conditions, but might also be powered by a variety of different energy sources. Whatever technologies we eventually choose will also have to be available in sufficient quantities, have the necessary fuelling and support infrastructure in place, and be truly “green.”

THE BEST VEHICLE FOR THE JOB

We will continue to pursue the best vehicle for the job. Based on sustained funding approval, over the next five years we plan to replace more than 3,000 vehicles from our existing and aged vehicle fleet. Whatever the technology, the new vehicles will be smaller, more fuel efficient and, therefore, more energy efficient than our existing vehicles. We will also increase the size of our existing fleet considerably as part of our Postal Transformation initiative.

Our current delivery model is based on a time of growing lettermail volumes where mail volume per delivery point made it logical to have letter carriers walk their routes. Our new Postal Transformation delivery model will see a greater percentage of our letter carriers covering their delivery routes in motor vehicles rather than on foot. This “motorization” will enable us to evolve our business and improve the security of the mail by having letter carriers collect mail along their routes and deliver all products, including parcels. Based on projections, we will avoid higher greenhouse gas (GHG) emissions by sourcing smaller, more fuel-efficient vehicles whenever possible.

“At Canada Post, we recognize that our environmental footprint is substantial. This is due to the nature of our business and the size of the fleet we must maintain to meet our mandated universal service obligation to deliver mail to every address in Canada, five days a week.”

Moya Greene, President and CEO, Canada Post

Additionally, letter carriers already take some form of transportation to get to their routes and their mail is delivered by other employees in motor vehicles to relay boxes along their routes. Parcels, due to their size and the fact that letter carriers are mostly on foot, are delivered separately by different vehicles. With the new delivery model, letter carriers will leave their depot in “greener” corporate vehicles, carrying all their mail, including parcels. Motorization will also reduce the time most letter carriers spend walking, improve their ergonomics, provide better protection from the elements and improve mail security.

Procuring new and more environmentally friendly vehicles is not the only action that we are taking to minimize fuel consumption and reduce GHG emissions. In 2008, medium and heavy trucks were outfitted with engine-idle and speed limiters. Idle limiters shut the engine off after a prescribed period of time. Speed limiters restrict vehicles to a maximum speed of 105 km/hr. Internal publicity campaigns have also provided employees with driving tips to reduce fuel consumption and lower GHG emissions.

As our fleet evolves, we are dedicated to finding the best available technologies to meet our operational and environmental needs, whether it's a vehicle powered by alternative energy, the latest and most fuel-efficient commercial gasoline engine, or a hybrid.



OUR ENVIRONMENT

Connecting ethical behaviour and environmental awareness

OUR NATIONAL PRESENCE MAKES US ESPECIALLY COMMITTED TO MANAGING OUR ENVIRONMENTAL FOOTPRINT.

We are dedicated to implementing energy-conservation strategies and recycling programs, and encouraging the purchase and use of supplies that are recycled, recyclable, reusable, renewable or otherwise environmentally sustainable.

Our commitment to register all major new buildings for Leadership in Energy and Environmental Design (LEED™) certification is consistent with our efforts to conserve resources, protect the environment and reduce our greenhouse gas emissions.

CHALLENGES:

- ▶ Energy-efficiency initiatives are having to be postponed because of the current global economic downturn and its impact on funding availability for investment purposes
- ▶ Postal Transformation plans will demand a considerable increase in our fleet size; increased greenhouse gas emissions will have to be offset by purchasing new vehicles that are more fuel efficient
- ▶ Finding the right vehicles to replace our fleet is taking longer than expected

We introduced our first carbon-neutral product in 2008: new prepaid shipping envelopes for Xpresspost™ and Priority™ Next A.M. (formerly known as Priority Courier). These envelopes are 100 per cent recyclable, and include post-consumer recycled content and carbon-neutral packaging, which means that the carbon emissions associated with the life cycle of the envelopes is offset by carbon credits purchased through Zerofootprint.

ACHIEVEMENTS:

- ▶ Registered eight buildings for LEED certification
- ▶ Introduced our first carbon-neutral product
- ▶ Won the Algonquin College and Ottawa Community Loan Fund's inaugural Corporate Social Responsibility (CSR) Award
- ▶ Recognized as a champion in energy conservation

Greenhouse Gas Emissions

We remain committed to key initiatives that will enable us to reduce our overall footprint in the long term. These initiatives include the purchase of more fuel-efficient vehicles for our fleet and the adoption of the LEED standard for all new buildings. In our 2007 CSR Report, we projected that we would achieve a 14 per cent reduction in CO₂ emissions between 2002 and 2012, however, the current global economic downturn has had a negative effect on our financial results. To offset the negative pressure on revenue, we put some very aggressive cost-containment measures in place in early 2008 and face a number of considerable challenges that will seriously affect our performance in the short term.

Firstly, our Postal Transformation initiative is essential to the modernization of our business. However, our low level of profitability has limited the funds available to finance the initiative as well as inhibiting our ability to reinvest in our operations, forcing us to postpone energy-efficiency initiatives that could have reduced emissions from our buildings while reducing ongoing operating costs.

Secondly, although our Postal Transformation initiative will eventually see us evolve our 40-year-old mail-processing plants into newer, more energy-efficient facilities, this transition of our operations throughout our network won't happen as quickly as initially expected.

Thirdly, the Postal Transformation initiative will introduce a new delivery model that will eventually see a greater percentage of our letter carriers covering their delivery routes in motor vehicles rather than on foot. This will enable them to collect mail along their routes and deliver all products, including parcels. The new model combined with projected network growth will contribute to a significant increase in the size of our fleet.

A NEW REPORTING FRAMEWORK

In 2008, a new reporting framework, called the Environmental Measurement and Monitoring System (EMMS), was introduced for the postal industry. Led by the International Post Corporation (IPC), the System will act as a common reporting framework within which post companies can declare their environmental-management strategies and performance. A common reporting framework enables IPC members to share knowledge on carbon- and environmental-management issues. By sharing knowledge, the postal industry as a whole will be able to lower its environmental impact. The EMMS is the framework through which this co-operation and knowledge-sharing can take place.¹

To enable us to track our progress from our established baseline, we will also report our emissions based on the breakdown provided in the 2007 Corporate Social Responsibility Report as well as on the Greenhouse Gas Protocol, and the new EMMS.

THE CANADA POST COMMUTING CHALLENGE

Since 1996, employees at our head office in Ottawa and across the country have been commuting to and from work by non-motorized means as often as possible during the warmer months. In 2008, 146 individuals walked, biked and in-line skated more than 145,000 kilometres. Participants in the Commuting Challenge, which runs from April to October each year, have logged some 1.3 million "green" kilometres since 1996, reducing greenhouse-gas emissions by an estimated 330 tonnes.

2008 GHG EMISSIONS BY SOURCE



¹ Source: The IPC Environmental Measurement and Monitoring System (EMMS) Guidance Document

GREENHOUSE GAS EMISSIONS BY THE NUMBERS

GHG EMISSIONS (kilotonnes)

	2008	2002
Buildings	93	107
Fleet	59	55
Rural Delivery (RSMCs)	45	44
Total	197	206
Change From 2002	-4%	-

2008 GHG EMISSIONS BY SOURCE (kilotonnes)

Buildings – Electricity	53.2
Buildings – Natural Gas	34.3
Buildings – Oil	4.4
Fleet – Owned	58.9
Fleet – RSMCs	45.4
Planes	16.0

EMISSIONS ACCORDING TO THE
GREENHOUSE GAS PROTOCOL (kilotonnes)

	2008	2007	2006
Scope 1			
Owned Planes	16.0	-	-
Fleet	58.9	57.9	56.4
Heating	39.4	41.3	39.3

Scope 2			
Electricity	53.2	55.6	56.4

Scope 3			
Business Travel	7.5	10.0	-
Subcontractors (estimated)	156.0	154.9	154.9

EMISSIONS ACCORDING TO THE IPC EMMS REPORTING FRAMEWORK

		All Operations
A	Overall Sector Indicators	
A.1	Total CO ₂ in tonnes per 1,000 CDN of revenue	0.0505
A.2	Total CO ₂ in tonnes per kg post per km travelled	7.49 x 10 ⁻¹³
A.3	Total CO ₂ in grams per item	14.41
B	Scope 1	
B.1	Owned road fleet efficiency (in tonnes CO ₂ per km travelled)	7.74 x 10 ⁻⁴
B.2	Owned air transport efficiency (in tonnes CO ₂ per kg post per km travelled)	NC
B.3	Owned rail transport efficiency (in tonnes CO ₂ per kg post per km travelled)	NA
B.4	Owned ship transport efficiency (in tonnes CO ₂ per kg post per km travelled)	NA
B.5	Building energy efficiency (in tonnes CO ₂ per m ² building floor space)	0.0211
C	Scope 2	
C.1	Purchased electricity efficiency (in tonnes CO ₂ per m ² building floor space)	0.0285
D	Scope 3	
D.1	Subcontracted road transport efficiency (in tonnes CO ₂ per km travelled)	9.30 x 10 ^{-4*}
D.2	Subcontracted air transport efficiency (in tonnes CO ₂ per kg post per km travelled)	6.65 x 10 ^{-4[□]}
D.3	Subcontracted rail transport efficiency (in tonnes CO ₂ per kg post per km travelled)	1.83 x 10 ^{-8†}
D.4	Subcontracted ship transport efficiency (in tonnes CO ₂ per kg post per km travelled)	NC
D.5	Emissions from business travel in tonnes CO ₂ per employee	0.13
D.6	Emissions from employees commuting in tonnes CO ₂ per employee	0.80 [‡]
D.7	Emissions from waste disposed to landfill in tonnes CO ₂ equivalent per m ² building floor space	NC
E	Activity Indicators	
E.1	% of renewable energy used in buildings	29.63%
E.2	% of alternative vehicles in fleet	0.24%
E.3	% of total km travelled that was on foot/bicycle	20.44%

NC: Not Calculated

NA: Not Applicable

* Estimated

□ Source: DEFRA, U.K.

† Source: www.cn.ca/en/corporate-citizenship-greenhouse-gas-calculator.htm

‡ Calculation based on Statistics Canada, 2006 Census of Population, Commuting Patterns and Places of Work of Canadians

THE EMMS

In 2008, the International Post Corporation (IPC) launched an Environmental Measurement and Monitoring System (EMMS) that provides a common carbon measurement and reporting framework for the global postal industry.

EMMS provides the postal industry with a transparent, scientific, sector-specific carbon management and measurement system that is based on the requirements of international best-practice standards. These standards include the Greenhouse Gas Protocol, DJSI, FTSE4Good, ISO 14000, and current best practices from the corporate environment.

EMMS evaluates postal companies through a scoring system that grades performance in ten carbon-management-proficiency areas as well as key numeric carbon-efficiency indicators. The system was piloted in 2008. Results from the first round of measurements are expected to be announced in December 2009.

VEHICLE PERFORMANCE BY THE NUMBERS

FLEET PERFORMANCE¹

	2008	2007	2006
Litres of Fuel (in millions)	23.8	23.4	22.6
Number of Kilometres Travelled (in millions)	76.1	79.0	77.5
CO ₂ Emissions by Road Vehicles (in kilotonnes)	58.9	57.9	56.4
Total Number of Road Vehicles (in thousands)	7.0	7.0	7.0

TYPES OF VEHICLES

	2008		2007	
	Number of Vehicles	Litres of Fuel per 100 km	Number of Vehicles	Litres of Fuel per 100 km
Cars – SUV Hybrid	30	11.1	31	10.0
Fuel-Efficient Light Vehicles	2	15.2	2	17.0
Light Vehicles (Vans)	1,720	25.2	1,663	25.0
Right-Hand Drive (Light)	2,172	25.1	2,186	24.0
Step Vans	2,680	33.4	2,685	30.0
Medium Trucks	309	41.4	309	33.5
Tractors	23	41.4	23	47.2
Shunts – Yard Tractor	14	41.4	14	47.2

¹ Canada Post-owned fleet (excluding RSMC vehicles)

Green Buildings

We understand that our buildings have an effect on the environment, and we are always looking for ways to reduce energy consumption, emissions and costs. A large portion of our CO₂ emissions come from our more than 3,000 buildings, which include 21 major mail-processing plants. Reducing those emissions will help reduce our overall energy costs and benefit the global environment. We also strive to improve indoor environmental quality through more integrated and sustainable design, creating a healthier and safer work environment for employees.

In last year's Corporate Social Responsibility Report, we announced that all major new building construction will be registered for Leadership in Energy and Environmental Design (LEED™) certification. Our commitment to register all major new buildings for certification is consistent with our efforts to conserve resources, protect the environment and reduce greenhouse gas emissions.

In 2008, we registered eight buildings across the country for LEED certification, six of which are scheduled for occupancy in 2009. LEED-registered buildings include the new Winnipeg mail-processing plant and letter carrier depots in Alberta, Ontario and Quebec.

LEADERSHIP IN ENERGY AND ENVIRONMENTAL DESIGN

An internationally accepted benchmark for the design, construction and operation of high-performance green buildings, the LEED Green Building Rating System provides building owners and managers with tools to ensure an immediate and measurable effect on their buildings' environmental performance.

The Green Building Rating System evaluates project performance according to a number of specific prerequisites and credits that outperform typical standard practices. Points are awarded according to the prerequisite and

credit requirements that are met, and building performance is rated based on the total number of points earned. Buildings can be rated as Certified, Silver, Gold or Platinum.

The prerequisites and credits are organized into five categories: sustainable sites, water efficiency, energy and atmosphere, materials and resources, and indoor environmental quality. An additional category, innovation and design process, addresses sustainable building expertise as well as design measures not covered by the five environmental categories.

We will strive to attain a minimum LEED rating of Certified on all our major new construction projects. Under LEED-NC (for new construction and major renovations), this level of certification requires a score of 26 to 32 credit points on top of certain prerequisites. In the case of the downtown Toronto letter carrier depot, we are aiming for a Gold LEED certification to meet municipal expectations.

Unique challenges

Because many of our buildings, such as letter carrier depots and mail-sortation plants, are not typical industrial buildings, we face a number of unique challenges when building new facilities to LEED-certification standards. Letter carrier depots, for example, need to have very good lighting conditions for sortation and flexibility in sortation case layout, limiting the extent to which we can reduce energy consumption. The way we use our depots, with most occupancy and activity taking place early in the morning, further affects energy performance and the choices made in design. Additionally, we are often restricted as to the amount of green space we can incorporate around a new facility because postal depots, by the nature of the work they do, must have large areas of hard surfacing for vehicle docking and parking. Nevertheless, all of our new buildings are being designed to levels of energy performance at least 29 per cent more efficient than that stipulated in the

8

Number of buildings registered for LEED certification in 2008





Artist's impression of the letter carrier depot in Terrebonne, Quebec

Model National Energy Code for Buildings, and native vegetation is being incorporated into landscaping plans to reduce the need to water.

Terrebonne Letter Carrier Depot, Quebec

Our new letter carrier depot in Terrebonne, Quebec, was occupied early in 2009. With the building fit-up designed for certification under the LEED for Commercial Interiors rating system, the Terrebonne depot benefits from improved air quality and an innovative "green" housekeeping program. The facility also makes more efficient use of energy and efficiently

manages water through high-efficiency plumbing devices that will help reduce water consumption by up to 34 per cent. During construction, 75 per cent of the usual construction waste was diverted from landfill. Recycling containers for paper, cardboard, glass, plastic and metal are readily available to encourage employees to integrate ecological practices into their workdays. Measures, such as effective ventilation and use of building materials with no or low volatile organic compounds (VOC), contribute to an improved indoor environment.

CANADA POST RECOGNIZED AS AN ENERGY-CONSERVATION CHAMPION

In January 2009, Ontario's Chief Energy Conservation Officer recognized Canada Post as a champion in energy conservation for voltage optimization initiatives in postal facilities in Greater Toronto. Voltage optimization reduces energy consumption by as much as 10 per cent, cuts electricity bills by up to 12 per cent, and lessens greenhouse gas emissions.

In 2008, Legrand Power Systems' Electrical Harmonizer-AVRs, which facilitate voltage optimization, were installed at two Toronto processing plants, with a third plant being upgraded in the first quarter of 2009.

The certificate of recognition for energy conservation recognizes companies, organizations and individuals in Ontario that are taking action to demonstrate a long-term commitment to energy conservation.

ENVIRONMENTAL PERFORMANCE

	2008	2007	2006
Electricity (kWh)	291,875,179	303,788,767	312,707,363
Natural Gas (Gigajoules)	688,017	768,784	719,837
Oil (Litres)	1,552,460	1,087,153	1,209,237
Square Metres	1,866,381	1,888,977	1,863,716
Natural Gas per Square Metre (Gigajoules)	0.37	0.41	0.39
Electricity per Square Metre (kWh)	156.39	160.82	167.79
Regulatory Warnings/Complaints ⁹	7	3	2
Halocarbon Releases (number of releases /ozone-depleting potential)	x40/16.1 kg	x38/19.1 kg	x35/21.7 kg

Note: Number of releases was consistent with 2007. Ozone Depleting Potential of releases was 16% lower than in 2007

Greening the Mail

In 2008, in partnership with Harris/Decima, we conducted research with Canadians and the marketing community on the environment. One of the outcomes of the study was a white paper entitled *The New Environmentalism*.

The research suggested that the level of environmental consciousness among Canadians continues to rise and that, at its root, the true problem to which many Canadians point when they talk about environmental degradation is that society is unnecessarily wasteful of the Earth's resources. From disposing of garbage to setting the thermostat to reviewing mail and catalogues, the research indicated that people are thinking about the environmental impacts of their actions. In fact, more than 80 per cent of participants in the study said they always or often think about the environmental impact when they dispose of or recycle household trash. And more than 60 per cent said they always or often think about the environmental impact of mail and catalogues.

While participants in the study said that they recycle 85 per cent of their advertising mail, mail remains a reference point for environmental concern in both households and businesses, probably because it is something people come across every day.

The core of consumer frustration, and what triggers concerns of waste, is mail that is:

- ▶ Poorly targeted or contains information that is not relevant
- ▶ Addressed to previous owners or tenants
- ▶ Incorrectly addressed
- ▶ Multiple pieces of the same mailing

HELPING CANADIAN BUSINESSES

We have taken proactive measures not only to reduce our environmental footprint, but also to educate the catalogue and direct marketing industry about environmentally friendly practices. Initiatives completed in 2008 include publishing a white paper called *The New Environmentalism*, which is based on research conducted by Harris/Decima, delivering presentations to the Canadian marketing community and launching the "Go Green with your Mail" website (canadapost.ca/green). The website, which includes practical tips and best practices, is a reference source for marketers and consumers on what they can do to reduce waste in the mail stream. The website received more than 49,000 visits between May and December 2008.

PROVIDING CHOICE TO CANADIAN CONSUMERS

Our online mail-delivery service, epost™, gives Canadians an alternative to receiving paper-based household bills and financial statements. Customers of epost service can securely receive, view, pay and store their household bills and financial statements online, making the service one simple way that people can reduce the amount of paper entering their homes.

Additionally, our Consumer Choice program enables a consumer who receives door-to-door delivery to stop the delivery of Unaddressed Admail items by Canada Post by putting a notice to that effect on his or her mailbox. For community mailboxes, group mailboxes or post office boxes, the note should be placed on the inside lip of the box. The only unaddressed materials that we will continue to deliver to those people who opt out in this way are House of Commons, provincial chief electoral officers, municipal electoral offices and Elections Canada mailings as well as community newspapers.



GREENING OUR COMMUNITIES

Since 1992, Tree Canada has been actively promoting the planting and care of trees throughout urban and rural Canada. In 2009, Tree Canada will plant more than 5,500 trees across Canada on behalf of Canada Post. A special employee tree-planting day will also take place in the fall of 2009 and Tree Canada will ensure the long-term survival of the trees after they have been planted.

GREEN TIPS FOR MAILERS

Remove customers who do not want to receive your mailings by:

- ▶ Using the Canadian Marketing Association's "do not mail" list
- ▶ Creating your own in-house "do not contact" list
- ▶ Allowing your customers to opt out of certain marketing communications
- ▶ Eliminating duplicate names

Ensure your data is as up-to-date as possible by:

- ▶ Making it easy for customers to change their addresses
- ▶ Using address accuracy software to ensure address format standards
- ▶ Using return postage guaranteed to remove non-current customers from future initiatives
- ▶ Using the National Change of Address service to identify customers who have moved

Enhance your chances of success by:

- ▶ Using smarter targeting software like the GeoPost™ Plus targeting tool for unaddressed mail
- ▶ Using data modelling, predictive models, reach and frequency monetary models

Canada POST CANADA France

Go green with your mail

It's the responsible thing to do.

At Canada Post, we believe that everyone has a responsibility to the natural world. That's why we're not only committed to finding ways to protect the environment and minimizing our carbon footprint, but we're also committed to providing greater options and earth-friendlier ideas for both consumers and businesses.

What you can do

What your business can do

What we are doing

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canadapost.ca/green

Landfill Waste Diversion

Target: 75% landfill waste diversion

In 2008, we diverted 64.9 per cent of our known volume of waste from landfill.* Although we didn't meet last year's target of 75 per cent landfill waste diversion, sound environmental practices exist in a number of our facilities across the country.

Last year, we began to roll out an expanded national recycling program to all our facilities. The program encourages reduction, reuse, recycling and recovery in every Canadian municipality wherever locally and logistically possible. Facility-management companies are already responsible for providing recycling services for many of our buildings, and will play a major role in implementing and managing this expansion of our national program. At the same time, all employees were encouraged to further incorporate environmentally friendly practices into their everyday activities.

MAXIMIZING EFFICIENCIES

In 2008, we reviewed our agreements with our waste haulers to maximize efficiencies across our network. Agreements in some areas were modified to include additional recyclables, such as wooden pallets and plastics, other

agreements were changed to add or remove pickups according to the needs of individual facilities. Scheduled pickups will be further reviewed in 2009 to ensure maximum efficiency and cost-effectiveness. Additional recycling bins were also purchased and installed.

Additionally, we continue to recycle the plastic containers used in our mail preparation, sorting and delivery activities. Many of these containers are recycled by Canada Post and subsequently used to make new containers.

KEY CHALLENGES IN 2008

The economic downturn and aggressive cost-cutting measures, which were implemented early in 2008 to ensure our continued profitability, significantly reduced the funding available for our recycling programs and initiatives. Additionally, contamination of recyclable waste with non-recyclable products significantly reduced the amount of waste we were able to divert from landfill. Doing a better job of sorting waste into recyclable and non-recyclable material before waste is placed into bins is crucial if we are to meet our target of 75 per cent landfill waste diversion in 2009.



All of our more than 3,000 postal installations (owned and leased), including approximately 2,100 postmaster depots that recycle through community programs where available, were sent recycling communications packages in 2008 that included posters and handouts. Postmasters were encouraged to reduce and reuse, and recycle as much as possible depending on locally available recycling facilities.

KNOWN VOLUME OF LANDFILL WASTE DIVERSION IN 2008*

	Landfill	Recycling	Total	Diversion %
Huron Rideau	24.1	28.8	52.9	54.4%
Greater Toronto Area	195.1	381.1	576.2	66.1%
Atlantic	20.9	11.9	32.8	36.3%
Head Office	181.1	250.1	431.2	58.0%
Quebec	95.1	127.8	222.9	57.4%
Prairies	81.8	94.7	176.5	53.6%
Pacific	65.7	83.1	148.8	55.8%
Containers Recycling		172.6	172.6	100.0%
Employee Programs		75.8	75.8	100.0%
Total	663.8	1,225.9	1,889.7	64.9%

All measurements are in metric tonnes

*Our recycling program and measurements were progressively implemented throughout 2008. The reported landfill waste diversion rate reflects only the known volume of waste and recycled material, and the actual landfill waste diversion rate might therefore be lower or higher than reported.

KEY PLANS FOR 2009

In 2009, we will investigate the possible addition of recycling bins in all of our post office box lobbies to enable post office box users to recycle unwanted mail. We plan to begin with those lobbies that have 1,000 mail boxes or more.

We are also investigating the possibility of conducting recycling audits at some of our facilities in 2009. However, the number of audits scheduled to be conducted will depend on available funding. We hope to be able to audit at least one large facility to determine the accuracy of our recycling and diversion statistics.

PAPER USE AT CANADA POST

In 2008, we estimate that our offices across the country used approximately 480 tonnes of paper. We are committed to reducing the amount of paper we consume, adopting more effective recycling practices throughout our network, and purchasing paper that has been certified by a third-party sustainable forest-management certification system. Additionally, most of our employees can now receive their pay statements electronically through epost service. In 2009, we will also be removing the vast majority of individual printers and consolidating them to allow for double-sided printing. This consolidation should translate into a considerable reduction in energy consumption and paper use.



Green Products and Services: Offering choice to Canadians

More and more Canadians are making environmentally conscious decisions in their everyday lives. We are committed to finding ways to protect the environment and minimize our carbon footprint by providing greener choices and Earth-friendlier ideas for consumers and businesses.

PRODUCTS

In 2008, we introduced our first carbon-neutral product: new prepaid shipping envelopes for Xpresspost™ and Priority™ Next A.M. (formerly known as Priority Courier). These envelopes are 100 per cent recyclable and include post-consumer recycled content. The carbon emissions associated with the life cycle of the envelopes are offset by carbon credits purchased through Zerofootprint. To select the “greenest” envelopes possible, we rated the environmental friendliness of manufacturers’ envelopes against more than 60 criteria, including the extent to which materials used to create the envelope came from renewable resources and the characteristics of inks and adhesives.



SERVICES

epost

epost™ service is an online mail-delivery service that enables Canadians to securely receive, view, pay and store their household bills and financial statements online, making the service one simple way that people can reduce the amount of paper entering their homes. Currently, epost service has more than five million registered users. Documents are securely stored free of charge for up to seven years, simplifying record keeping for Canadians. In 2008, we collaborated with the World Wildlife Fund – Canada to raise money for The Good Life, an online community for Canadians who want to make simple but significant changes to help fight climate change and reduce their impact on the planet. We donated a total of \$150,000 during the campaign, which ran from July 7 to October 7, 2008.

SmartFlow

SmartFlow™ service is a suite of document-management services that help our customers manage their business processes and communications more efficiently. This suite of automated technologies can improve document workflow and delivery, returned mail management, customer response time and transaction cycle time as well as minimize paper handling. SmartFlow service also enables our business customers to meet the growing demand for a choice of communication channels from their customers by delivering outbound communications and capturing inbound correspondence in a variety of physical and electronic ways, including epost service.



ENDANGERED SPECIES

In October 2008, we issued the final set of stamps in a three-year series featuring at-risk wildlife native to Canada's land, sea and sky. According to the Committee on the Status of Endangered Wildlife in Canada (COSEWIC), there are more than 500 plant and animal species currently at risk in Canada. If action is not taken to reverse this devastating trend, we may see the end of much of our country's distinct array of wildlife.

Our three sets of Endangered Species stamps, which were issued to raise awareness about endangered species, featured Canadian creatures at risk of extinction. In 2006, the stamps depicted four creatures of the land: the blotched tiger salamander, blue racer snake, Newfoundland marten and swift fox. The set of stamps issued in 2007 paid tribute to Canada's aquatic species with images of the leatherback turtle, white sturgeon, North Atlantic right whale and northern cricket frog. Last year, we showcased animals of the sky: the Taylor's checkerspot butterfly, roseate tern, burrowing owl and prothonotary warbler.

The stamps conveyed powerful messages about protecting our fragile environment for children and adults alike.



GLOBAL REPORTING INITIATIVE LISTING

This Social Responsibility Report was developed with reference to the Global Reporting Initiative (GRI) G3 Guidelines. The following table shows the GRI indicators covered in the report.

The GRI has developed the world's most widely used sustainability/CSR reporting framework, which sets out the principles and indicators that organizations can use to measure and report their economic, environmental and social performance. To find out more about the GRI, please visit www.globalreporting.org.

STANDARD DISCLOSURES PART I: PROFILE DISCLOSURES

1. Strategy and Analysis			
Profile Disclosure	Description	Page Number or Answer (*)	Extent of Reporting
1.1	President's message	2	Full
1.2	Description of key impacts, risks and opportunities	4-6, 10-14	Full
2. Organizational Profile			
2.1	Name of the organization	4	Full
2.2	Primary brands, products and/or services	4	Full
2.3	Operational structure of the organization, including main divisions, operating companies, subsidiaries and joint ventures	4	Full
2.4	Location of organization's headquarters	4	Full
2.5	Number of countries where the organization operates, and names of countries with either major operations or that are specifically relevant to the sustainability issues covered in the report	4	Full
2.6	Nature of ownership and legal form	4	Full
2.7	Markets served (including geographic breakdown, sectors served and types of customers/beneficiaries)	4	Full
2.8	Scale of the reporting organization	4	Full
2.9	Significant changes during the reporting period regarding size, structure or ownership	9	Full
2.10	Awards received in the reporting period	7	Full
3. Report Parameters			
3.1	Reporting period (e.g., fiscal/calendar year) for information provided	8	Full
3.2	Date of most recent previous report (if any)	8	Full
3.3	Reporting cycle (annual, biennial, etc.)	8	Full
3.4	Contact point for questions regarding the report or its contents	8	Full
3.5	Process for defining report content	10-14	Full
3.6	Boundary of the report (e.g., countries, divisions, subsidiaries, leased facilities, joint ventures, suppliers)	8-9	Full
3.7	State any specific limitations on the scope or boundary of the report	8-9	Full
3.8	Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations, and other entities that can significantly affect comparability from period to period and/or between organizations	8-9	Full

3. Report Parameters (cont'd)

3.9	Data measurement techniques and the basis of calculations, including assumptions and techniques underlying estimations applied to the compilation of the indicators and other information in the report. Explain any decisions not to apply, or to substantially diverge from, the GRI Indicator Protocols	8–9	Full
3.10	Explanation of the effect of any re-statements of information provided in earlier reports, and the reasons for such re-statement (e.g., mergers/acquisitions, change of base years/periods, nature of business, measurement methods)	None*	Full
3.11	Significant changes from previous reporting periods in the scope, boundary or measurement methods applied in the report	9	Full
3.12	Table identifying the location of the Standard Disclosures in the report	68–71	Full
3.13	Policy and current practice with regard to seeking external assurance for the report	6	Partial

4. Governance, Commitments and Engagement

4.1	Governance structure of the organization, including committees under the highest governance body responsible for specific tasks such as setting strategy or organizational oversight	10	Full
4.2	Indicate whether the Chair of the highest governance body is also an executive officer	No, they are separate*	Full
4.3	For organizations that have a unitary board structure, state the number of members of the highest governance body that are independent and/or non-executive members	Ten out of 11 members are independent*	Full
4.8	Internally developed statements of mission or values, codes of conduct, and principles relevant to economic, environmental and social performance and the status of their implementation	10–13	Full
4.12	Externally developed economic, environmental and social charters, principles or other initiatives to which the organization subscribes or endorses	56, 59	Full
4.13	Memberships in associations (such as industry associations) and/or national/international advocacy organizations in which the organization: • Has positions in governance bodies; • Participates in projects or committees; • Provides substantive funding beyond routine membership dues; or • Views membership as strategic	76	Full
4.14	List of stakeholder groups engaged by the organization	12	Full
4.15	Basis for identification and selection of stakeholders with whom to engage	12	Full
4.16	Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group	12	Partial
4.17	Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns, including through its reporting	11	Full

STANDARD DISCLOSURES PART II: DISCLOSURES ON MANAGEMENT APPROACH (DMAs)

G3 DMA	Description	Page Number or Answer (*)	Extent of Reporting
DMA EC	Disclosure on Management Approach EC	15	Partial
DMA EN	Disclosure on Management Approach EN	55	Full
DMA LA	Disclosure on Management Approach LA	5, 22, 38, 39	Full
DMA HR	Disclosure on Management Approach HR	36	Partial
DMA SO	Disclosure on Management Approach SO	21	Partial
DMA PR	Disclosure on Management Approach PR	19, 20	Partial

STANDARD DISCLOSURES PART III: PERFORMANCE INDICATORS

Economic			
Performance Indicator	Description	Page Number or Answer (*)	Extent of Reporting
EC1	Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings and payments to capital providers and governments	16, 17	Full
EC2	Financial implications and other risks and opportunities for the organization's activities due to climate change	13, 56, 57	Full
EC3	Coverage of the organization's defined benefit plan obligations	24, 25	Partial
EC4	Significant financial assistance received from government	None*: 24, 25	Full
EC9	Understanding and describing significant indirect economic impacts, including the extent of impacts	16, 17, 24, 25	Full
Environmental			
EN1	Materials used by weight or volume	59, 65	Partial
EN3	Direct energy consumption by primary energy source	59, 61	Full
EN4	Indirect energy consumption by primary source	61	Full
EN5	Energy saved due to conservation and efficiency improvements	56	Partial
EN6	Initiatives to provide energy-efficient or renewable-energy-based products and services, and reductions in energy requirements as a result of these initiatives	66	Full
EN7	Initiatives to reduce indirect energy consumption and reductions achieved	52, 53, 56, 57	Partial
EN16	Total direct and indirect greenhouse gas emissions by weight	56–59	Full
EN17	Other relevant indirect greenhouse gas emissions by weight	56–60	Full
EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved	56–61	Full
EN19	Emissions of ozone-depleting substances by weight	61	Partial
EN20	NOx, SOx and other significant air emissions by type and weight	61	Partial
EN22	Total weight of waste by type and disposal method	64–65	Full

Environmental (cont'd)			
EN23	Total number and volume of significant spills	61	Full
EN26	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation	66	Partial
EN29	Significant environmental impacts of transporting products and other goods and materials used for the organization's operations, and transporting members of the workforce	56–59	Full
Social: Labour Practices and Decent Work			
LA1	Total workforce by employment type, employment contract and region	4	Partial
LA2	Total number and rate of employee turnover by age group, gender and region	38–39	Partial
LA4	Percentage of employees covered by collective bargaining agreements	95%*	Full
LA6	Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programs	31	Partial
LA7	Rates of injury, occupational diseases, lost days and absenteeism, and number of work-related fatalities by region	28–31	Full
LA10	Average hours of training per year per employee by employee category	29	Full
LA11	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	38–39	Partial
LA13	Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership and other indicators of diversity	34–35	Partial
Social: Human Rights			
HR4	Total number of incidents of discrimination and actions taken	36	Partial
HR9	Total number of incidents of violations involving rights of indigenous people and actions taken	36	Partial
Social: Society			
SO1	Nature, scope and effectiveness of any programs and practices that assess and manage the impacts of operations on communities, including entering, operating and exiting	40–41, 42–50, 52–53, 54–59	Partial
SO3	Percentage of employees trained in organization's anti-corruption policies and procedures	21	Partial
SO4	Actions taken in response to incidents of corruption	21	Partial
Social: Product Responsibility			
PR5	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction	20	Full
PR6	Programs for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion and sponsorship	48	Partial
PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data	19	Full

ORGANIZATIONS SUPPORTED BY CANADA POST IN 2008

108 th St. Bernadette's Scout Group 15 km de Grande-Digue 4 ^e Colloque sur les Gangs de rue Abbotsford Senior Mens Basketball African Nova Scotian Music Association Algoma Family Services Foundation Alpha-Entraide Alpha-Lira Amabile Choirs of London, Canada Angel Flight of British Columbia Annunciation Hockey Club Antigonish Philatelic Lunar Packs Assiniboine Early Learning Centre Association de la presse francophone Association des Braves d'Ahuntsic Association Francophone de Kamloops Association Les Chemins du Soleil Association of Book Publishers BC Atelier d'éducation populaire Atout-lire Barrie Literacy Council BCYCNA (BC and Yukon Community Newspaper Association) Black Education Association Black Student Advising Centre Blue Nose International Brain Injury Association of the Ottawa Valley – Annual Fundraising Benefit Dinner Brandon Eagles Gymnastics Centre Brocklehurst Senior Secondary Band BUKSA Associates Inc. Burlington Lions Optomis Minor Hockey Association Camp Triumph Canadian Cancer Society Canadian Engineering Memorial Foundation Canadian Environmental Awards Canadian Federation Humane Society Canadian Museum of Civilization Canadian Postal Museum Canadian Psychiatric Research Foundation Canwest Spelling Bee Causeway Foundation / 2008 Card Campaign Celebration of People Centennial Centaurs Football Centre Alpha du Haut-Saguenay – 10 ^e anniversaire Centre de débat	Champions for Children Foundation Chedoke Minor Hockey League CHEO Foundation – 11 th Anniversary Trees of Hope Chevaliers de Colomb Nicolet Children's Mental Health Ontario (CMHO) Christie Lake Kids Club de patinage artistique de Saint-Hyacinthe Club de patinage artistique Unibel Club des Petits Déjeuners du Québec – Classique Martin Brodeur Coalition francophone pour l'alphabétisation et la formation de base en Ontario Colborne Stamp Club Comité Alpha Papineau Comox Valley Search and Rescue Compagnie-F entrepreneurship pour femmes Congrès mondial accadien Craftworks Crowe Valley Lions Club Cycling PEI Cygnet Publishing Group Inc. Dakota Lazars 9A3 Hockey Team Dartmouth Speed Skating Club David Suzuki Foundation Delta Islanders Lacrosse Développement communautaire Unile Inc. Dixie Athletics Soccer Club, girls under 14 Doddsland Rink Auxiliary Eastern Consolidated School (Halifax School Board) Écrit tôt de St-Hubert Équipe de football Rive-Sud Erin Mills Soccer Club Estacades de Trois-Rivières Extrêmes Bantam A (hockey) Festival franco-ontarien Fondation Anna-Laberge Fondation Association Sportive des Jeunes Handicapés de l'Estrie (ASJHE) Fondation de l'Hôpital du Suroit – Soirée de quilles au salon de quilles Le Zénith de Valleyfield Fondation du cancer du sein du Québec – Journée Joanne Champagne 2008 Fondation du Musée de la civilisation de Québec Fondation Le Grand Chemin	Fondation Pinocchio Fondation Santé Haut-Richelieu – Rouville Formation Clef Mitis / Neigette Freestyle Ski Association Frontier College GCBA Basketball Association Gibsons Landing Community Society Glanbrook Ranger Atom Rep Hockey Team, Junior Rangers Gloucester-Cumberland Ringette Association Goshen Ridge Equine Association – G.R.E.A.T. Horse Club Guilford Athletic Club Heart and Stroke Foundation Highway 22 Playschool Hincks Dellcrest – Raise a Child's Smile Hope Region Spirit of BC – 4 th Annual Volunteer Appreciation Gala Hunger Response International Hurricanes Hockey Team I.I. E. 2008 Conference Interlake Human Resources Corp. Jewish Public Library – First Fruits Program Juvenile Diabetes Research Foundation Kamloops 97 Selects KC Hockey Club Kelowna Minor Football Association Kensington Little Mountain Soccer Association Kincaid and District Community Service Club La Bizzarerie La Dictée P.G.L. La Fédération canadienne pour l'alphabétisation en français (FCAF) La Fondation Canadienne Rêves d'Enfants Division Québec Ouest – Marilou La Fondation d'Aide aux Handicapés du Québec La Maison des mots La Marée des Mots La Porte Ouverte La Tour de Lire Lasalle Soccer Association U15AAF (Lasalle Strikers) L'Assomption en Fête Le Centre Culturel Français de l'Okanagan Le Tour de Lire Les 100 Nons Inc.
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Partial list that includes sponsorships, donations, and employee coaching and community-involvement programs

Les Correspondances d'Eastman
 Les Impatients
 Les Rendez-vous de la francophonie
 Literacy and Historical Society
 Luseland School Band Association
 M.A.D.D. Greater Vancouver Chapter
 Make A Wish Foundation Eastern Ontario Chapter – St-Valentine's Day Hair Massacre 2
 Manitoba Schizophrenia Society
 Mankota Minor Ball
 Marco Polo Projects Inc.
 MAYAA – Manitoba Aboriginal Youth Achievement Awards
 Meadowvale Minor Hockey Association, PeeWee "Red" Level Team
 Mississauga Croatia Soccer Club
 Mississauga Southwest Baseball Association
 Moose Jaw AAA Warriors
 Nanaimo SPCA – Paws for a Cause
 National Arts Foundation
 NEADS
 Nepean Minor Hockey Association, Novice B Team J House League
 New Horizons Golden Corners Senior Centre
 Northrop Frye International Festival
 Notre Dame Paladins
 Novice Phantoms – Hub Hockey Team
 NOW Canada
 Orleans Minor Hockey Association
 Ottawa Deaf Centre / 10th Annual Golf Tournament
 Ottawa Mission
 Ottawa Public Library
 Ottawa Sens Plex Hockey Tournament 4th edition
 Ottawa South United – U12 Power Girls
 Ouvre ton coeur à l'espoir
 PGI Canada
 Powell River Chamber of Commerce
 Power to be Adventure Therapy Society
 Prince Albert Aces
 Prince Albert Bears Hockey Team
 Project Brotherhood
 Qu'Appelle Spirit Community News – Canada Day Celebration
 Quest Art School and Gallery
 Racism Stop it
 Rassemblement jeunesse
 Read-a-Thon 2008
 Red Deer Advocate
 Regroupement de la Paralyse cérébrale et autres déficiences Amiante Inc. (R.P.C.D. Amiante Inc.)
 Revivre
 Richmond City Baseball
 Richmond Youth Soccer Association
 Royal Canadian Army / The Country Club Annual Veteran's Golf Day
 Royal Canadian Geographic Society
 Royal Ottawa Volunteer Association – ROVA Comedy Night "The Cure for the Mid-Winter Blues"
 Rue principale Lac-Mégantic
 Rural Municipal Administrators Association of Saskatchewan
 Rutherford Beavers
 Sackville Minor Hockey and Ringette Association
 Saskatchewan Weekly Newspaper Association
 Saskatoon Fencing Club
 Schizophrenia Society of NB (SSNB) Miramichi Chapter
 Scouts Canada
 Seguin Sled Dog Mail Run – Rosseau Post Office
 Seniors Resource Centre Association of Newfoundland and Labrador Inc.
 Senobe Aquatic Club
 Service Fransaskois de formation aux adultes (SEFFA)
 Shelburne Regional High School – Senior Girls Softball Team
 Sinclair Park 11A1 Hockey Team
 Skate Lillooet
 Skate to Care 2009
 SOS Children's Village BC / Lifeskills Outreach Program
 South Delta Invaders
 Southside FC
 Sports for Special Athletes
 Spruce Meadows
 St. Boniface Legionaires Baseball Club
 St. Patrick's Home of Ottawa Foundation
 Stand up for Mental Health
 Steel City Steelers – PeeWee Team
 Sudbury Canadians Soccer
 Sunshine Valley Ratepayers Association / Homecoming Reunion 2008
 Surge Narrows Parent Action Committee
 Surrey Minor Hockey – North Surrey Recreation Centre
 Take Pride Winnipeg
 Team Sagle of Manotick Curling Club
 Ted Reeve Hockey Association – Minor Atoms Ted Reeves Tornados
 Terrace Curling Club
 The Arts Club of Vancouver Theatre Society
 The BC Law Enforcement Diversity Network
 The Black Cultural Centre Youth Development
 The Canada Post Foundation for Mental Health
 The Centre for Literacy of Quebec Inc.
 The Children's Wish Foundation of Canada – Ontario Chapter
 The City of North Vancouver
 The Great Wilderness Clean-Up
 The Learning Exchange
 The Max Keeping Foundation – 14th Annual Max Keeping Birthdate Bowl-a-thon
 The Royal Canadian Legion – Lethbridge Community Legion Pipe and Drum Band
 The Winnipeg Art Gallery
 Theatrefront
 Thornhill Rebels Minor Atom Hockey Team – 2008
 Touché Dubois
 Tree Canada Foundation
 Treherne Bowling and Billiards
 Tsawwassen Soccer Club
 Un Mondalire
 United Way
 Vancouver 2010 Olympic and Paralympic Winter Games
 Victoria Canoe and Kayak Club
 Victoria Minor Hockey Association
 WATE Community and Cultural Development Services
 West Edmonton Wild Hockey Club
 Whitby Minor Hockey Association – Bantam AE Team
 White Rock Renegades 93
 Wild Arc
 Wilkie Skating Club
 Word on the Street
 WordFest, Banff-Calgary International Writers Festival
 World Literacy of Canada
 Writers' Federation of Nova Scotia
 Youth Bowling Canada
 Zone 5 Tween AA-Mission
 Ringette Team

GLOSSARY

Bite, Scratch, Sting

Animal bite, scratch or insect sting.

Canada Post Group (The)

Canada Post Corporation and its subsidiaries, affiliates, partnerships, joint ventures and alliances.

Consolidated Revenue

The combined revenues from the activities of The Canada Post Group, which includes Canada Post Corporation and its subsidiaries and joint venture.

Corporate Team Incentive (CTI)

Annual cash bonus payable to all eligible full-time and part-time employees when certain corporate targets are met or exceeded. These targets are established annually and include financial performance, service performance, customer value indices and employee engagement targets.

Customer Value Index (CVI)

A measure of customer loyalty to Canada Post. The CVI uses a customer survey to calculate customer loyalty using a 10-point scale where one equals poor and 10 equals excellent.

Customer Value Management (CVM)

A strategic corporate methodology through which the total customer experience across Canada Post is measured. The CVM is designed to develop and execute value-based business.

Days Lost per Employee (DLE)

Average rate of absence for full-time or part-time indeterminate employees. Expressed in annual terms.

Dividend

Share of a surplus given to our Shareholder, the Government of Canada.

Donation

Gift given to a charity or non-profit organization for charitable purposes.

Employees

Canada Post full-time and part-time permanent employees.

Ergonomics

Includes overexertion⁹ and manual material handling⁹.

Human Rights Complaints

Canada Post, as a federally regulated employer is subject to the *Canadian Human Rights Act*. The Corporation's Equality in Employment and No Harassment Policies both support our obligations under this Act. According to our policies, employees can submit written complaints internally to trained human rights investigators who examine all complaints alleging discrimination based on any one of the 11 grounds under the *Canadian Human Rights Act*.

An employee can also submit a complaint that alleges discrimination or harassment based on any one or more of the 11 grounds of discrimination under the Act directly to the Canadian Human Rights Commission for investigation.

General harassment complaints are not based on any one or more of the 11 prohibited grounds under the Act; for example, persistently bullying, berating someone, and demeaning or patronizing remarks that may undermine respect in the workplace.

Lost-Time Accident

An accident that results in an employee having to be absent from work for at least one full day, starting from the day after the accident.

Lost-Time Accident Frequency Rate

Number of lost-time accidents per 200,000 hours worked. A lost-time accident is an accident that results in an employee having to take at least one full day off, starting the day after the injury.

Manual Material Handling

Musculoskeletal injury from repetition, awkward posture or lifting heavy loads.

Modified Duties

Any combination of meaningful tasks, functions or jobs that a worker, who has functional restrictions, could perform safely, with pay, and without risk of injury to self or others. The goal of modified duties, also known as transitional work, is to return the individual to his or her pre-injury/accident position.

Overexertion

Sprains and strains from activities such as heavy lifting, sudden movements and awkward postures.

Pickup Points (Mail)

Total number of places where mail can be deposited into Canada Post's collection and delivery system. These places include post offices, street letter boxes, and community and rural mailboxes.

Pre-tax Profits Donated

A percentage of pre-tax profits based on a rolling five-year average of pre-tax profit for The Canada Post Group. Contributions include charitable gifts, support for employee volunteerism, contributions to non-profit groups, in-kind gifts, community sponsorships and program management (up to 10% of total contribution).

Regulatory Warnings/Complaints

Administrative and other general warnings or complaints from Environment Canada and/or provincial ministries.

RSMC

Rural and Suburban Mail Carriers.

RSMC Ergonomic Assistant

Individual used to assist an RSMC to physically place mail into rural mailboxes. RSMCs are not allowed to get out of their cars to place mail into mailboxes, and leaning out of the car's passenger-side window can cause difficulties. Paid assistants help an RSMC avoid these difficulties.

RSMC Helper

Individual who is used by an RSMC to help keep the RSMC's average work week to within 40 hours.

RSMC Replacement

Individual who covers an RSMC's route when the RSMC is absent.

Slips, Trips, Falls

Injury resulting from a slip on a surface, such as an icy walkway or wet leaves, a trip over an object, or a fall down from a higher level such as on stairs or steps.

Sponsorship

Agreement in which a popular event or entity is funded in exchange for advertising rights.

Street Letter Box

A box in which mail can be placed for posting. These boxes are placed at convenient public sites such as street corners, shopping centres and public transit locations.

Struck by/Against

Injuries resulting from being struck by or by striking against an object such as a door opening.

Transaction Mail

Domestic and international Lettermail™, including bills, invoices, notices, statements and Light Packet™ items.

Unconsolidated Revenue

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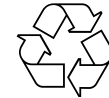


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